REPORT OF THE CHIEF OF THE SUGAR DIVISION, 1939

UNITED STATES DEPARTMENT OF AGRICULTURE,
SUGAR DIVISION,
Washington, D. C., November 1, 1939.

Hon. HENRY A. WALLACE,
Secretary of Agriculture.

DEAR MR. SECRETARY: I submit herewith the report of the Sugar Division for the fiscal year ended June 30, 1939.

Sincerely yours,

JOSHUA BERNHARDT, *Chief.*

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SUGAR ACT OF 1937

When the House Committee on Agriculture on July 2, 1937, recommended passage of the Sugar Act of 1937 it expressed the opinion that the principles outlined in the President's message to the Congress of March 1 of that year with respect to sugar legislation were essentials of adequate and fair sugar legislation and that the bill then being reported (and subsequently enacted) carried out such principles. These were "that adequate safeguards to protect all interests be provided in the legislation; that the consumer be protected against unreasonable prices; that our foreign markets be protected by retaining the share of foreign countries in the established quotas; that if the domestic sugar industry is to obtain the advantage of a quota system it ought to be a good employer and to carry this out, legislation should prevent child labor and assure reasonable wages; that the small family size farm should be encouraged by the payment of higher benefits; and that an excise tax should and ought to be imposed on sugar manufacturing."

The legislation sought attainment of these objectives through a quota system which regulated imports and marketings of sugar in

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the United States and through conditional payment programs in all domestic sugar-producing areas.

EFFECT OF PROGRAM ON INCOME OF DOMESTIC PRODUCERS

It is anticipated that under the sugar program sugar-beet growers will receive an average of about $6.52 per ton of beets, including conditional payments, or approximately 97 percent of parity, for the record 1938 crop. This figure does not include the special conditional payments which the act authorizes in cases of acreage abandonment or crop deficiency. The total income of these growers is expected to be about $75,500,000 for the 1938 crop of 11,614,000 tons of beets, compared with $7.20 per ton, or around $63,000,000, for the 1937 crop of 8,770,000 tons. Conditional payments included in these totals amounted to $22,106,000 and $17,130,000 for the 1938 and 1937 crops, respectively.

The record Louisiana 1938 crop of 5,859,000 tons of sugarcane brought the growers approximately $3.60 per ton. The total income of these growers from the 1938 crop will be $21,000,000 compared with $20,500,000 from the 1937 crop of 5,258,000 tons. The income from the 1938 crop included about $5,900,000 in conditional payments, or approximately $1 per ton of cane. The income from the 1937 crop included about $4,900,000 in conditional payments.

TABLE 1.—*Conditional payments made to growers under the Sugar Act of 1937*

[As of June 30, 1939]

	1937 program	1938 program [1]
Continental sugar beet:		
California	$3,728,346.16	$4,506,775.03
Colorado	3,667,251.50	3,534,431.66
Idaho	1,170,163.55	2,073,789.11
Illinois	40,585.66	88,948.45
Indiana	91,867.37	147,813.11
Iowa	50,456.00	112,966.07
Kansas	105,242.01	153,735.83
Michigan	1,105,643.43	2,042,977.87
Minnesota	482,487.17	671,456.62
Montana	1,687,220.28	1,945,852.14
Nebraska	1,612,605.94	1,947,947.21
Nevada		12,163.46
New Mexico	789.75	3,100.00
North Dakota	262,698.28	278,789.18
Ohio	327,312.18	706,722.27
Oregon	115,080.49	223,527.22
South Dakota	103,204.35	212,493.04
Utah	1,065,997.26	1,434,812.24
Washington	207,754.20	387,596.45
Wisconsin	152,184.31	310,591.67
Wyoming	1,153,096.86	1,309,176.07
Total	17,129,986.75	22,105,666.70
Continental sugarcane:		
Florida	486,647.35	664,762.45
Louisiana	4,894,653.87	5,900,204.17
Total	5,381,301.22	6,564,966.62
Insular region:		
Hawaii	4,174,667.37	8,593,885.33
Puerto Rico	9,471,022.39	9,250,000.00
Total	13,645,689.76	17,843,885.33
Grand total	36,156,977.73	46,514,518.65

[1] These data include obligations totaling about $13,950,000 which had not been paid by June 30, 1939.

The returns of Hawaiian plantations, which grow about 90 percent of the cane produced in the Territory, from the 1938 crop were less favorable than in recent years partly because of lower sugar prices and partly because the crop was deficient in quality.

In the 1937–38 crop, Puerto Rican producers were permitted to harvest all standing cane, pursuant to the last clause of section 301 of the act exempting from marketing limitations the first crop harvested after enactment of the legislation. Conditional payments, however, were made only on the growers' allotments or "proportionate shares" as they are termed in the act. In the 1938–39 program the exemption provision did not apply. That program provided for payments on a smaller production of sugar than in the previous year since a surplus totaling about 340,000 tons of sugar had accumulated in the island between invalidation of crop adjustment in January 1936 and its resumption in the 1938 crop. It is estimated that the total income of Puerto Rican growers from the 1938–39 crop of 6,875,000 tons of sugarcane will be approximately $37,000,000.

Although data on income of processors in the various domestic sugar producing areas for the period covered by this report are meager, it is clear that there has been some decline in processors' income this year. Only the following information on important operating groups in the different areas is now available.

The stated net income of five beet-sugar processors for their last fiscal year, which ended in the spring of 1939 and which covered 67 percent of the 1938 crop production and sales from the 1937 and 1938 crops, averaged 5.22 percent of their reported capital and surplus, after provision for Federal income taxes. Three Puerto Rican processor-producers, covering 32 percent of the 1937–38 crop, reported net income for the fiscal period ended in early summer, 1938, as 9.01 percent of their stated net worth, and for the two companies reporting on the 1938–39 crop net income of 4.82 percent of net worth was shown. Thirty-two Hawaiian processor-producers, representing about 90 percent of the industry, reported a loss of approximately 2.50 percent of their stated net worth for the 1938 calendar year.

The processor-producer in Florida who produced about 95 percent of that State's 1938 crop of sugar reported a 10.96 percent net return on the stated net worth for the fiscal year ended June 30, 1939, while two corporations in Louisiana engaged in the combined operations of cane growing, raw sugar producing, and sugar refining, stated their net income for the 1938 crop period, as 4.68 percent of their average net worth.

POSITION OF CONSUMERS UNDER SUGAR PROGRAM

In recommending passage of the Sugar Act the House Committee on Agriculture expressed the belief that no hardship to the consumer would result from its provisions, but that on the other hand he would profit by a stabilized reasonable price.

The following tabulation shows the average retail price of refined sugar in the United States as reported monthly by the Bureau of Labor Statistics during the past fiscal year.

1938	*Average retail price (cents per pound)*	*1939*	*Average retail price (cents per pound)*
July	5.265	January	5.162
August	5.211	February	5.115
September	5.133	March	5.112
October	5.141	April	5.115
November	5.158	May	5.136
December	5.174	June	5.162
		Average	5.156

Because of a change made by the Bureau of Labor Statistics in October 1937 in the method of securing and compiling retail prices, certain adjustments must be made in the Bureau's figures before comparison with prior years' figures can be made. The average of 5.156 cents per pound for the fiscal year 1938-39 appears to be the equivalent of 5.30 cents per pound under the former method of reporting. This figure compares with 5.53 and 5.63 cents in the fiscal years 1937–38 and 1936–37, respectively.

The retail price figures for recent months of 1939 are as follows: July, 5.174; August, 5.167; and September, 6.442 cents per pound. The price of sugar in September was dominated by the outbreak of the European war.

ADMINISTRATION OF THE SUGAR-QUOTA PROVISIONS

The initial estimate of sugar requirements of consumers in the continental United States of 6,832,157 short tons of sugar, raw value, and the allocation of quotas for the calendar year 1939 was announced on December 3, 1938.

Because of misunderstanding in some of the sugar-producing areas concerning the basis for estimating consumers' sugar needs, the Sugar Division, in a letter made public on January 11, 1939, explained how the estimate for the year 1939 had been made. After quoting the standards specified in the act for making the determination, it was pointed out that—

> * * * the Secretary is directed to use as the basis for his determination the quantity of direct-consumption sugar distributed for consumption as indicated by official statistics during the twelve-month period ending October 31 next preceding the calendar year for which the determination is being made. For the twelve-month period ending October 31, 1938, the preliminary official statistics of the Department of Agriculture on sugar distributed by manufacturers and importers show a total of 6,425,000 short tons, raw value.
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> The Secretary is next directed to make allowances for a deficiency or surplus in inventories of sugar and for anticipated changes in consumption arising out of changes in population and demand conditions. As of October 31, 1938, the inventories of sugar in the hands of primary distributors (manufacturers and importers of direct-consumption sugar) were somewhat in excess of the stocks in the immediate preceding years. * * *
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> * * * the preliminary data on 1938 primary distribution show some decline from the 1936 and 1937 levels as a result of the depressed economic conditions that prevailed during the past year. Since experience demonstrates that there is a tendency for the per capita consumption of sugar to fluctuate with changes in consumers' purchasing power, and since the indications are that consumers' purchasing power for 1939 will be greater than it was in 1938, the demand for sugar may be expected to increase somewhat during 1939 as compared with 1938.
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> By taking the foregoing base of 6,425,000 short tons of sugar, raw value, and then making statistical allowances, first, by deducting an estimated surplus in inventories and second, by adding an amount to cover the expected increase in per capita consumption a net figure will be obtained which is less than the total quota supplies for the past several years. The act provides that "addi-

tional allowances" be made to the base "so that the supply of sugar made available under this act shall not result in average prices to consumers in excess of those necessary to maintain the domestic industry as a whole." If the total quota supplies for 1939 were smaller than the total quota supplies for 1937 and 1938 by the amount indicated above, the result, according to data available to this Department would be "average prices to consumers in excess of those necessary to maintain the domestic industry as a whole." There has been a substantial expansion of domestic production during recent years under the price conditions which have obtained under the determinations of total quota supplies of 6,812,687 tons in 1936, 7,042,733 tons in 1937, and 6,780,566 tons in 1938. Under these circumstances, an "additional allowance" is required. The act provides that the amount of such additional allowances shall be such "that in no event will the amount of the total supply be less than the quantity of sugar required to give consumers of sugar in the continental United States a per capita consumption equal to that of the average two-year period 1935–36." The determination of 6,832,157 tons made by the Secretary for 1939 gives effect to the minimum "additional allowance" and corresponds on a per capita basis to the average consumption of the two years 1935 and 1936; it is also the same, on a per capita basis, as the determination for 1938. It was believed at the time the determination was made that this minimum additional allowance would be sufficient to prevent prices to consumers "in excess of those necessary to maintain the domestic sugar industry as a whole."

Subsequently, in response to various inquiries received in the Sugar Division for further explanation of the Department's interpretation of the quota provisions of the act, a press release was issued February 20, 1939, pointing out that the provisions of section 201 of the act expressly authorize the Secretary of Agriculture to revise the initial determination of consumers' requirements for each calendar year "at such times during such calendar year as the Secretary may determine necessary." The Division stated as its opinion that the per capita minimum specified in the act necessarily applies only in the event that the computations under the other provisions of section 201 would result in prices "in excess of those necessary to maintain the domestic sugar industry as a whole."

Marketing or importations of sugar in 1937 and 1938, and the quotas which were in effect in 1939 until they were suspended on September 11 by presidential proclamation are shown in the following table:

TABLE 2.—*Sugar marketings or importations under the Sugar Act of 1937* [1]

[Short tons, raw value]

Area	1937	1938	1939 [1]
Domestic areas:			
Domestic beet sugar	[2] 1, 238, 142	[2] 1, 470, 627	1, 566, 719
Mainland cane sugar	457, 051	446, 294	424, 727
Hawaii	985, 031	905, 572	948, 218
Puerto Rico	896, 340	815, 293	806, 642
Virgin Islands	7, 841	3, 924	9, 013
Total domestic	3, 584, 405	3, 641, 710	3, 755, 319
Foreign countries:			
Commonwealth of the Philippine Islands	991, 020	981, 146	[3] 981, 912
Cuba	2, 155, 218	1, 940, 823	1, 932, 343
Foreign countries other than Cuba	89, 155	75, 114	85, 812
Total foreign	3, 235, 393	2, 997, 083	3, 000, 067
Total	6, 819, 798	6, 638, 793	6, 755, 386
Total of quotas as established in regulations	7, 042, 733	6, 780, 566	6, 755, 386

[1] For 1937 and 1938, the figures represent actual importations or marketings against the quotas. For 1939 there are shown the quotas which were in effect prior to their suspension by Presidential proclamation on Sept. 11, 1939.

[2] Final quotas established for beet area (without deductions for deficits) were 1,633,361 tons in 1937 and 1,584,083 in 1938.

Represents duty-free quota, since balance was allotted to foreign countries other than Cuba.

The Sugar Act provides that deficiencies found in any area's quota supply may be reallocated to other areas able to market sugar, without affecting the statutory quota for the area in which such deficiency is found. In accordance with this provision deficits found in 1938 in Hawaii, the Virgin Islands, and the Commonwealth of the Philippine Islands, were reallocated. It should be noted that even after an expected deficiency in any sugar-producing area has been reallocated there can be no assurance that the total supplies actually made available by sellers will be equal to the total amount of sugar which is permitted to be marketed. In fact, the actual quantities of sugar marketed or imported under the quotas in recent years have been considerably less than the total of the quotas as established in the regulations. In 1937, after area deficits had been reallotted, actual marketings were 222,935 tons under the total of the quotas, while in 1938 the deficiency was 141,773 tons. Consequently, the comparisons which have been made of the actual distribution of sugar to consumers in any year with the total of the quotas shown in the regulations convey an erroneous impression.

As in previous years the Bureau of Customs of the Treasury Department cooperated with the Sugar Division in maintaining administrative control over imports of sugar at ports of entry.

SUGAR-MARKETING ALLOTMENTS

The act provides (sec. 205) that whenever the Secretary finds that the allotment of any area's sugar quota is necessary to assure all interested persons an equitable opportunity to market sugar, to prevent disorderly marketing, or for other purposes specified in the act, he is to make such allotment, after formal public hearing, in accordance with the standards specified in the legislation.

Marketing allotments became operative in 1939 in all of the domestic areas except Hawaii because sugar supplies in these areas were found to be substantially in excess of their quotas. In Puerto Rico such allotments have been in effect every year since 1934.

The public hearing for the purpose of receiving evidence to enable the Secretary to make a fair distribution of the mainland cane area's 1939 quota was held in Mobile, Alabama, on February 8 and 9, 1939, and that for the continental beet area, in Chicago on February 21 of the same year. Practically all processing companies were represented at these hearings.

The act requires that in making marketing allotments consideration is to be given to processings of sugar from beets or cane to which "proportionate shares" of growers pertained, to past marketings or importations of sugar, or to ability to market or import the quantity allotted. The "proportionate shares" referred to in this connection are, in effect, the growers' shares (with respect to which payments under title III of the act are made) of the quota and normal carry-over established for the sugar-producing area in which the grower is located.

One group of companies which did not have as large a proportion of its last crop unmarketed as did most other processors, proposed a formula which would give more weight to past marketing history than to production from the last crop. Another group of companies which

on January 1 had more than an average proportion of the last crop unmarketed, argued for formulas which would give dominant weight to either the last crop or the inventory left from that crop.

The marketing allotment orders for the mainland sugarcane and sugar-beet areas were based upon a formula giving 25 percent weight to past marketings of sugar and 75 percent weight to processings of sugar from the 1938 crop of sugarcane or sugar beets, the last crops with respect to which farm "proportionate shares" had been made effective. For the purpose of determining past marketings in the mainland cane area the most favorable of the following options was selected in the case of each processor: (1) 100 percent of the average quantity of sugar marketed during any 3 of the calendar years 1935, 1936, 1937, and 1938; (2) 80 percent of the average quantity of sugar marketed during any 2 of the calendar years 1935, 1936, 1937, and 1938; or (3) 70 percent of the average quantity of sugar marketed during any 1 of the calendar years 1935, 1936, 1937, and 1938. For the continental beet area past marketings were measured by average marketings during the calendar years 1936, 1937, and 1938. (The allotment orders here described were published in the Federal Register of May 2, 1939.)

Puerto Rican processors waived their right to a hearing on the allotments for both the island's 1939 quota for delivery in continental United States and the local consumption quota of Puerto Rico. Allotment of these quotas was made on the same basis as in prior years, the fundamental factor being the processors' grindings of the 1939 "proportionate shares" of individual growers, including the processor's own proportionate shares, if any.

A hearing was held in Washington, D. C., for the purpose of alloting the Puerto Rican direct-consumption sugar quota of 126,033 short tons for shipment to the continental United States. (The allotment orders for Puerto Rico will be found in the Federal Registers of January 10 and April 19, 1939.)

ADMINISTRATION OF CONDITIONAL PAYMENT PROGRAMS

The conditions for Federal payments to growers under the Sugar Act are stated in section 301 and cover nonemployment of child labor, payment of fair and reasonable wages to agricultural labor, payment of fair and reasonable prices for beets or cane bought from other growers, maintenance and improvement of soil fertility, and compliance with growers' "proportionate shares."

The wage and fair price conditions for payment require the Secretary of Agriculture to make certain determinations or findings after investigation and public hearing.

"PROPORTIONATE SHARES" OF GROWERS

One of the conditions for Federal payments under the Sugar Act of 1937 is that a producer may not market sugar beets or sugarcane in excess of his farm's proportionate share of the total quantity of beets or cane needed to enable the area in which his farm is located to meet its quota (and provide a normal carry-over), for the year during which most of the crop would normally be marketed.

CONTINENTAL BEET AREA

In the continental beet area, which for several years had not filled its quota, it was not found necessary under the 1937 and 1938 programs to establish restrictive proportionate shares. In 1938, however, there was produced the largest beet-sugar crop on record and beet-sugar supplies for 1939 were expected to be in excess of the beet area's probable quota and normal carry-over. It therefore became necessary, under the provisions of the act, to establish effective proportionate shares for the beet area for the 1939 crop. The total proportionate share acreage which, it was estimated, would be required to fill the beet-sugar quota and provide a normal carry-over was established at 1,030,000 acres.

As a first step toward the establishment of proportionate shares for growers, conferences were held in the field with representatives of growers and processors for the purpose of discussing the various problems involved. It was agreed at these meetings that the most satisfactory method for making the distribution was to establish acreage allocations by factory districts and then to distribute among the growers within a given district the acreage allocated to the district.

The acreages to be allocated to growers in the various districts were established under the proportionate share determination issued December 23, 1938 (Federal Register, vol. 3, p. 3172). The determination provided that committees of sugar-beet growers, to be appointed by the Agricultural Adjustment Administration, were to work with representatives of sugar-beet processors in apportioning the acreage among the individual growers within the districts on the basis of "past production" and "ability to produce," the standards set forth in the act. Provision was also made in the determination for the protection of new and small producers.

MAINLAND CANE AREA

The amount of sugar which it was estimated would be needed to be produced from the 1939 crop of sugarcane in the mainland cane-sugar area, comprising Louisiana and Florida, to enable that area to fill its 1939 quota and provide a normal carry-over was announced by the Secretary on September 24, 1938, to be 406,000 short tons, raw value.

The determination of proportionate shares for the mainland sugarcane farms for the 1939 crop was issued on October 4, 1938 (Federal Register, vol. 3, p. 2378). It provided basically that in order to qualify for conditional payments with respect to the 1939 crop, growers should make a 25 percent adjustment from the 1938 level of the acreage in sugarcane marketed for sugar and that in no event was the proportionate share for any farm to be in excess of 60 percent of the farm's cropland suitable for the production of sugarcane. As in the case of the 1938 crop, special provisions were made for new and small producers. One of the provisions for the protection of such farmers was the establishment of a minimum proportionate share of 5 acres, while in the case of farms having 30 acres or less suitable for the production of sugarcane, it was announced that the proportionate share could be as much as one-

third of such acreage. These provisions enabled growers who have 10 acres or less in sugarcane, and who constitute the majority of the growers in this area, to qualify for conditional payments without making any acreage adjustment.

In the case of farms with more than 30 acres suitable for the production of sugarcane the proportionate share could be as much as 10 acres plus one-fourth of the acreage suitable for sugarcane in excess of 30 acres, provided there was plowed under a leguminous crop, in preparation for the 1938 fall planting of sugarcane, on an area equal to the difference between the proportionate share calculated on this basis and the proportionate share which would have been established provided the basic acreage adjustment had been made. It was provided further that the proportionate share for any farm could be as much as the sum of the acreage of first stubble cane and that of new plant cane planted on the farm before October 1, 1938, but not more than the 1938 proportionate share. The determination was amended on February 1, 1939, so that small established growers who marketed 18 acres or less of sugarcane for sugar in 1938 would not be required to make further acreage adjustment in 1939 in order to qualify for payment (Federal Register, vol. 4, p. 505).

On February 1, 1939, there was also issued the proportionate-share determination for farms in the mainland sugar area for the 1940 crop (Federal Register, vol. 4, p. 506). This determination provided a basis for calculating the proportionate share for each grower for the 1940 crop and for the completion of the basic 25 percent acreage adjustment of 1939 which could not be made completely effective in that year. The growers affected by this provision were those who were not required to make the basic adjustment in 1939 because their acreage for harvest that year consisted mainly of plant and first-stubble cane.

HAWAII

Since the production of sugar in Hawaii in recent years, because of conditions adversely affecting the sugarcane crop and for other reasons, has not been in excess of the quantity required to fill the Territory's local consumption quota and the quota for marketing in the continental United States, it has not been found necessary to establish restrictive proportionate shares for growers who wished to qualify for Federal payments.

PUERTO RICO

Because of the continued presence of relatively large sugar surpluses in Puerto Rico, restrictive proportionate shares were again needed for the 1939 crop.

The proportionate share determination for Puerto Rican farms for the crop year 1939 was originally issued on January 11, 1938 (Federal Register, vol. 3, p. 75). On November 18, 1938, there was announced an amendment providing for equitable treatment for growers who had a production history during the base period used for determining proportionate shares of Puerto Rican growers but who had not produced sugarcane in the years subsequent to the base period. The amendment also fixed 845,739 short tons, raw value, as the amount of sugar which would be required from the 1938–39 crop in order to enable

Puerto Rico to fill its quota and maintain a normal carry-over. This amount, which was approximately 100,000 tons less than for the 1938 crop, was prorated among all sugarcane producers in the island on the basis of each grower's base production. At the same time there was issued the determination of proportionate shares for the 1940 crop (Federal Register, vol. 3, p. 2747), providing for substantially the same proportionate share basis as in previous years.

On December 29, 1938, it was announced that applications for new proportionate shares for 1940 would be allowed only for growers who had completed their plantings on or before December 31, 1938, and the action was given formal effect in an amendment to the 1940 determination issued on February 14, 1939 (Federal Register, vol. 4, p. 901). This action was taken to prevent an excessive transfer of acreage from the old growers to new growers. Prior to this ruling about one-fifth of the total Puerto Rican proportionate shares had been transferred from old to new growers.

FARMING PRACTICES

Another of the conditions for payment to sugarcane or sugar-beet producers under the act is that they carry out certain farming practices "for preserving and improving fertility of the soil and for preventing soil erosion, such practices to be consistent with the reasonable standards of the farming community in which the farm is situated."

MAINLAND CANE AREA

On May 10, 1939, there was issued the determination of farming practices to be carried out in connection with the production of the 1939 crop of sugarcane in the mainland cane area (Federal Register, vol. 4, p. 1998). The soil-building-practice requirements for the 1939 crop are the same as in 1938 except for minor changes made in accordance with the recommendations of the State Agricultural Conservation Committees of Louisiana and Florida.

CONTINENTAL BEET AREA

Under the 1938 beet program the practices provided as a means of meeting this condition for payment included the seeding and maintenance of adapted biennial and perennial legumes and perennial grasses, the use of green-manure crops, and the application of barnyard manure and commercial fertilizers.

In the case of the 1939 program (Federal Register, vol. 4, p. 382), the practices provided were much the same as under the program of the previous year. However, in order to stimulate increased plantings of soil-conserving crops, double credit was given for the seeding of alfalfa. The majority of sugar beet producers in the United States have in the past carried out practices which conform closely to the requirements established under the sugar program.

HAWAII

The determination of farming practices to be carried out in connection with the production of Hawaiian sugarcane during the crop year 1939 was issued on April 19 of that year (Federal Register, vol. 4,

p. 1649). The minimum fertilizer requirements are substantially the same as those for the previous crop.

PUERTO RICO

The determination of farming practices to be carried out in connection with the production of Puerto Rican sugarcane during the 1938–39 crop season was issued on July 20, 1938 (Federal Register, vol. 3, p. 1786). The minimum fertilizer standards were substantially the same as those for the 1937–38 crop year.

On April 29, 1939, the farming-practice determination was amended to enable producers on farms containing more than 10 but not more than 100 acres and located in certain dry areas where the methods of preserving and improving soil fertility do not include the use of chemical fertilizer, to qualify for payment by performing the soil-building practices recommended for Puerto Rico under the Agricultural Conservation Program (Federal Register, vol. 4, p. 1740).

PROCESSOR-GROWER RELATIONS

Processors who as producers wish to apply for conditional payments are required under section 301 (d) of the act, to pay for sugarcane or sugar beets purchased from other producers at rates not less than those determined by the Secretary, after investigations and public hearing, to be fair and reasonable. Since the passage of the Sugar Act and its approval on September 1, 1937, 37 hearings under the authority contained in sections 301 (d) and 511 of the act, have been held in the 4 domestic areas. (Section 511 authorizes the Secretary to make surveys, investigations, including the holding of public hearings, and to make recommendations with respect to contracts between growers and processors, and growers and laborers.)

A substantial percentage of all domestic sugarcane is grown by processor-producers. These processor-producers receive relatively large Federal payments if they comply with the several conditions set forth in the act. Consequently, the terms of determinations with respect to fair and reasonable prices become the general basis for the purchase of sugarcane. This is not so true in the sugar-beet industry since sugar-beet processors grow less than 1 percent of the beets processed by them and receive less than 1 percent of the conditional payments made in the beet-sugar area.

CONTINENTAL BEET FAIR PRICE DETERMINATIONS

Purchase agreements, in the majority of cases identical with those used in 1938, have been made for the 1939 crop of sugar beets. The determination with respect to the 1939 crop (Federal Register, vol. 4, p. 3645) accepted the rates incorporated in the contracts between processors and producers as providing an equitable basis for the purchase of this crop. Information obtained at public hearings and from general investigations of the financial results of the agreements under which the crop of the previous year had been purchased indicated that as a result of the tax and conditional payment program and changes made in recent years in the purchase agreements, a generally reasonable distribution of income in the sugar-beet industry resulted for that crop period.

Many of the issues involved in contracts between beet growers and processors have been discussed at some length in a preliminary report with respect to grower-processor relationships in the beet-sugar industry. This preliminary report was issued in April 1939, following investigations and public hearings. The report summarizes the general characteristics of the sugar-beet industry affecting processor-grower relations and reviews early governmental activities relative to beet contracts. Problems pertaining to the processor-grower relationship are analyzed under the following topics: (1) distribution of income from sugar beets; (2) alternative principles applicable to the determination of the price of sugar beets; (3) types of contracts used to effectuate a distribution of income based on the participation principle; (4) regional factors affecting the income from sugar beets; (5) issues other than price involved in processor-grower contracts.

MAINLAND CANE FAIR PRICE DETERMINATIONS

The determination for the 1938 crop for Louisiana followed that of 1937 with two modifications. The 1937 system of premiums and discounts for high and low quality cane was found to result in a lower payment per pound of recovered sugar when the quality of sugarcane was high than when it was average or below average. To remedy this defect provision was made in the 1938 determination for a slight increase in premiums for high-quality cane. The second of these changes, made at the request of growers and processors, permitted for settlement purposes, as an alternative to the use of the season average price, the use of the average weekly quotations for 96° raw sugar, duty-paid basis, for the week in which sugarcane was delivered.

The 1939 determination for Louisiana (Federal Register, vol. 4, p. 4224) continued the one for 1938 with slight modifications. It provided that the grower receive $1 per ton of standard sugarcane at a 3.50-cent level of raw sugar prices, with a 3 percent reduction in the basic rate for each quarter cent decline down to 2.75 cents and a 3 percent increase for the first quarter cent increase above 3.50 cents per pound. Premiums and discounts were fixed for cane above or below the quality of standard cane. Under this system price variations are reflected in a greater degree in the returns to growers than in those to processors. Producers indicated approval of the contract at the public hearings.

In view of the fact that sugar production in the mainland cane area has increased greatly in recent years, interested persons requested in the fall of 1939 that where settlement is made on the basis of a season average price, the length of the period be increased so as to permit the market to absorb the total crop without undue depression of price. Therefore, the 1939 determination extends the time period used in the calculation of the price basis of settlement from 20 to 30 weeks. In addition, provision is made for the sharing between processors and producers, subject to mutual consent and to the approval of the Secretary or his authorized agent, of transportation costs in those instances where the only practicable means of shipment is by rail and where the distance is great.

Although the fair price determination for the 1938 crop had provided that the processor should not through any subterfuge or device reduce the return to growers below those provided for in the determination, certain processors, apparently under a misapprehension as to

the meaning of the provision, altered their customary business practices either by refusing to grant growers a weighing and loading allowance where this had been the custom, or by requiring the grower to perform these services which had previously been performed by the processor. Where changes of the above type were made in customary practices, processors were deemed not to have fulfilled the condition with respect to the payment of fair and reasonable prices. In order to clarify this requirement, the 1939 determination specifically provides for the continuation of customary practices.

In the case of Florida, where there are only 13 independent growers engaged in the production of sugarcane, the purchase agreement in use was approved.

PUERTO RICAN CANE FAIR PRICE DETERMINATIONS

The legislative assembly of Puerto Rico has enacted legislation under which it is required that growers be paid for their cane on the basis of a stipulated percentage of the value of recovered sugar, the percentage varying slightly with the quality of the cane, the value of the sugar being calculated on a New York basis. The principles of this legislation have been adopted in the fair-price determinations for Puerto Rican processors who, as producers, apply for conditional payments.

The 1938–39 determination (Federal Register, vol. 4, p. 1007) required processors to pay growers an amount for each ton of cane equal to not less than 63 percent of the f. o. b. mill value of the sugar recovered from the cane delivered, or the amount which would have been paid under the contract employed in 1937, whichever figure was larger. Settlement for sugarcane deliveries was to be made on the same basis as in 1937, except that such liquidations were to be fortnightly or monthly, as might be agreed upon between grower and grower-processor.

The 1938 determination stipulated that an allowance of not more than 25 cents per hundredweight be made from the New York price in arriving at the f. o. b. mill value to be used for settlement purposes. This expense appears to have increased in 1938; hence a limitation of 27 cents per hundredweight is fixed in the 1939 determination. The 1939 determination also included an alternative formula found in Puerto Rican legislation relative to sugarcane contracts.

HAWAIIAN CANE FAIR PRICE DETERMINATIONS

Not more than 10 percent of the sugarcane produced in the Hawaiian Islands is purchased, the remainder being produced by plantation-producers. Production by the so-called adherent planters, the semi-independent producers of the area, is concentrated in the nonirrigated districts. Some of the adherent planters operate on their own land, others on land leased from owners other than plantation producers, while a group constituting approximately 70 percent of the total number of adherent planters lease land controlled by the plantation producers through either ownership or lease.

The plantation producer customarily enters into an agreement with the adherent planter to purchase at rates set forth in the agreement all of the sugarcane produced, the rates generally being contingent upon the price of raw sugar and in many instances the quality of the cane. Contracts in force between adherent planters and proc-

essor-producers, and which cover 60 percent of the total number of adherent planters, provide for a payment to the planter of $1.20 per ton of cane for each 1 cent of the per pound price of sugar, for cane of 8¼ quality ratio. (Quality ratio represents the number of tons of cane required to produce 1 ton of sugar.)

At the public hearings the adherent planters, through their association representatives, requested that the contracts in use at the time of the passage of the Sugar Act of 1937 be continued, and that the conditional payment be shared with the processor-producer. Determinations with respect to the 1937 and 1938 crops provided that the rates agreed upon between the adherent planters and the plantation producers would be deemed fair and reasonable.

Under the terms of the purchase contract most generally in use the adherent planter receives a price equal to slightly less than one-half the value of the sugar recovered, on a basis of New York duty-paid prices. In addition, under a supplemental agreement entered into between adherent planters and processor-producers, the adherent planter is guaranteed subsistence advances not to exceed $40 per acre per crop period, repayment being required only in the event that the final liquidation is sufficient to retire the indebtedness of the planter. The adherent planter receives as his share of the Government conditional payment $6 per ton of raw sugar recovered from the cane delivered by him.

In view of the apparent complete accord existing between the Hawaiian producers and the processor-producers, no change was deemed desirable, and the 1939 determination (Federal Register, vol. 4, p. 1742) approves as fair and reasonable the rates in the contracts now in force for that crop period.

FAIR AND REASONABLE WAGE-RATE DETERMINATIONS

One of the conditions for payment to producers is that persons employed in the production, cultivation, or harvesting of beets or cane be paid in full for all such work, at rates not less than those determined by the Secretary, after public hearing and investigation, to be fair and reasonable. In making such determinations the Secretary is instructed to take into consideration the standards formerly established by him under the Agricultural Adjustment Act, as amended, and the differences in conditions among various producing areas.

CONTINENTAL BEET AREA

Since the Sugar Act of 1937 became effective on September 1, 1937, four wage determinations have been issued for the sugar-beet area.

The determination of September 19, 1938, which revised that of April 4 of the same year, was issued in order to adapt the determination to some particular local situations and wage practices. Certain changes were also made in the grouping of some of the western beet-producing areas. Like the original determination, it established piece rates for the various hand operations performed in the production, cultivation, and harvesting of the 1938 sugar-beet crop. In the case of California, Nevada, Washington, and parts of Oregon minimum hourly rates were established in addition to piece rates.

Wage determinations for workers employed in the production of the 1939 beet crop were issued on November 25, 1938, and on March

30, 1939. The first of these covered California, where the planting season is much earlier, and the second the remaining beet States. Hearings for California were held in August 1938 and for the other States at various points in the beet area during January 1939. The determination for California did not change significantly the general level of wage rates previously established. Minor adjustments were made with respect to the wage differential between northern and southern California. Piece and hourly rates were again provided for with slight reductions in the hourly rates for harvesting the 1939 crop.

The wage determination of March 30, 1939 (Federal Register, vol. 4, p. 1378), which covered all the beet States except California, represented a reduction of approximately 4 percent from the 1938 level of wages established for the beet area due principally to revisions in the harvesting rates set for 1938.

While no hourly rates were specifically provided for hand operations on the 1939 crop in any of the States other than California, Washington, Nevada, and parts of Oregon, the determination made it possible for producers in other States to pay their laborers for the specified operations on a time-unit basis provided the rates actually agreed upon by the producer and laborer were approved by the State agricultural conservation committee as being equivalent to the established piece rates. The determination also carried a provision enabling growers to apply for special piece rates in instances where the use of special machine methods reduced the amount of labor required as compared with the method ordinarily used. Such rates, however, also had to be approved by the State committee as being equivalent to the piece rates established in the determination for the part of the work actually performed.

The wage rates established for the 1939 crop for the several sugar-beet areas were as follows:

NONIRRIGATED AREAS

Area	Blocking, thinning, and hoeing (per acre)	Harvesting (9 tons)	Total (per acre)
Minnesota, Iowa, and Eastern North Dakota	$12.00	$7.90	$19.90
Ohio, Michigan, Indiana, and Wisconsin	11.00	8.37	19.37

IRRIGATED AREAS

Area	Blocking and thinning (per acre)	First hoeing (per acre)	Second hoeing (per acre)	Harvesting (12 tons)	Total (per acre)
Southern California	$6.50	$1.50	$1.00	[1] $11.52	[1] $20.52
Northern California	7.50	2.00	1.50	[1] 12.72	[1] 23.72
Washington	7.50	2.00	1.50	[1] 12.00	[1] 23.00
Utah, Idaho, and Oregon	8.00	2.00	1.00	[1] 11.64	[1] 22.64
Southern and Eastern Montana Northern Wyoming Western North Dakota	9.50	2.50	1.50	9.60	23.10
Western Montana	8.50	3.00	2.00	9.60	23.10
Northern Montana	8.50	3.00	2.00	[1] 11.40	[1] 24.90
Nebraska Colorado Southern Wyoming South Dakota	8.00	2.50	1.50	9.60	21.60
Kansas	8.00	2.00	1.00	9.60	20.60

[1] Includes loading as well as topping.

Besides establishing minimum wage rates, all of the determinations have required each producer who wished to qualify for Federal payments, to furnish free of charge to laborers the perquisites customarily furnished by him, such as a house, garden plot, and similar incidentals.

MAINLAND CANE AREA

Between the time the Sugar Act of 1937 went into effect and the close of the fiscal year there have been six wage determinations for the mainland sugarcane area, two of which have been revisions of earlier determinations. The first determination issued under the act was on November 12, 1937, and it covered the harvesting operations on the 1937 crop in Louisiana. This determination was followed by a revised determination, issued on March 30 of the following year, which included the 1937 sugarcane harvest rates for Florida as well as those previously issued for Louisiana.

On July 2, 1938, the Secretary approved a wage determination for labor employed in the planting and cultivating of sugarcane in Louisiana and Florida during that year. The required public hearings had been held in the two States in the winter of 1937-38. This determination required the payment by Louisiana producers of not less than $1.20 and $1 per day for adult male and female workers, respectively, engaged in this type of work. In Florida the wage rates were to be not less than $1.60 and $1.30 for adult male and female workers, respectively.

Wages for labor employed in the harvesting of the 1938 crop in the mainland cane area were established in a determination issued on October 15 of that year. Five public hearings for the purpose of obtaining information had been held at various places in Louisiana and Florida in August 1938. The wage rates established were the same as those for the harvest of the 1937 crop, with the exception that they applied to a basic 9-hour working day.

The wage rates established for harvest labor in the 1938 crop were as follows:

1. *Louisiana.*—For cutting, topping, and stripping cane, adult male workers not less than $1.50, and adult female workers not less than $1.20, per day of 9 hours. For a working day longer or shorter than 9 hours, not less than 17 and 13 cents per hour for adult male and female workers, respectively.

For cutting, topping, and stripping cane on a tonnage basis, not less than 75 cents per ton.

2. *Florida.*—Separate rates were established for Florida for the different types of cane harvested, the rates varying from 65 cents to $1.10 per ton depending upon the size of the cane, and whether it was green or burnt. These rates included the cutting and loading of the cane.

It will be noted that the harvest rates established for Louisiana do not include loading, an operation which is paid for separately, such payment being in addition to the rates specified for cutting and topping.

A revision of the 1938 harvest determination, issued on February 16, 1939, amended the original determination by providing for day rates in harvesting operations in Florida as an alternative to the piece rates previously established. The amendment was made necessary because information indicating that certain Florida growers engaged harvest labor on a day basis became available after the public hearings had been held and the determination issued. There-

fore the revised determination provided for an additional rate of not less than $2 for adult male and $1.60 for adult female workers per day of 9 hours for cutting, topping, and stripping of cane in Florida. Since the producers to whom these day rates applied did not employ the same laborers for loading, the day rates established did not include the operation of loading.

On January 19, 1939, there was issued the wage determination covering laborers employed in planting and cultivating of cane during that year (Federal Register, vol. 4, p. 381). The required public hearings had been held in Louisiana and Florida in the early part of August 1938. The planting and cultivating wages determined for 1938 were continued in effect during the following year. Application of the day rates to a working day of 9 hours with hourly rates for days longer or shorter than 9 hours was, however, incorporated into this determination. The wage rates established were as follows:

1. *Louisiana.*—For adult male workers not less than $1.20, and for adult female workers not less than $1, per day of 9 hours. For a working day longer or shorter than 9 hours, not less than 13 and 11 cents per hour for adult male and female workers, respectively.

2. *Florida.*—For adult male workers not less than $1.60, and for adult female workers not less than $1.30, per day of 9 hours. For a working day longer or shorter than 9 hours, not less than 18 and 14 cents per hour for adult male and female workers, respectively.

In June 1939, the Sugar Division conducted public hearings in Louisiana and Florida for the purpose of obtaining evidence from producers' and laborers' representatives needed in the establishment of wage rates for the harvesting operations on the 1939 sugarcane crop.

Besides establishing minimum wage rates, all of the determinations for the mainland cane area have required each producer who wished to qualify for Federal payments, to furnish free of charge to laborers the perquisites customarily furnished by him, such as a habitable house, a suitable garden plot with facilities for cultivation, pasturage for livestock, medical attention, and similar incidentals.

PUERTO RICO

Within the past fiscal year only one wage determination was made in Puerto Rico. This determination covered wage rates for the calendar year 1939 and was issued on February 25 of that year (Federal Register, vol. 4, p. 1028). The only previous wage determination for Puerto Rico had been issued February 23, 1938, and it applied to 1938. Unlike other domestic sugar-producing areas, Puerto Rico has a well-established system of collective bargaining and written agreements between agricultural workers' organizations and producers of sugar. Since collective bargaining has been in effect in Puerto Rico for a number of years and it appears that the workers' organization enjoys considerable bargaining power in its dealings with the Puerto Rican sugar growers, the Department was able to accept with but minor modifications, as fair and reasonable for the determinations for both 1938 and 1939 the wage rates contained in the collective agreement signed by the workers' organization and the producers. During the two crop years that fair wage determinations have been effective in Puerto Rico there is no record that sugarcane labor has instituted any strikes or controversies involving wages.

The determination as issued on February 25, 1939, provided for minimum daily, hourly, and piece rates, and for overtime. The day rates applied to an 8-hour day (a 7-hour day for ditch makers and cleaners who work in water), with double pay for overtime. The day rates varied for specified operations from $1.10 in handling carts in nonharvest operations to $1.70 for driving tractor plows. These rates applied to farms located in the coastal area. For the relatively few producers located in the interior of the island the day rates for the same operations were slightly lower. A minimum day rate of $1 established for operations for which day rates were not specified was applicable to workers in both areas. The hourly rates were to be not less than the equivalent rates for an 8-hour day. Piece rates for 1939 were to be on the same basis as those for 1938 which in turn were to be not less than 110 percent of the piece rates for similar work fixed in the collective agreement for 1937. The 1939 determination also incorporated in effect a provision carried in the determination of the previous year requiring that minimum daily earnings of workers under a piece rate system be at least equal to the equivalent hourly and overtime payments.

HAWAII

Two new wage determinations and the revision of an earlier one were made for Hawaii within the past fiscal year. The revised determination was issued on July 7, 1938, and it supplanted the one issued in April of that year covering sugarcane operations during the period September 1–December 31, 1937. On November 25, 1938, a wage determination was issued covering the sugarcane operations performed in 1938, and on January 25 of the following year, one was issued applicable to all persons employed during 1939.

In connection with the determination issued on November 25, 1938, information obtained from the data submitted at the public hearings and from other sources indicated that the 1938 wage rates paid by producers in Hawaii were for the most part fair and reasonable. The wages paid that year included an increase voluntarily made by producers over the rates specified in the 1937 determination. Therefore, the wage determination issued accepted with one modification the 1938 wages which prevailed in Hawaii as fair and reasonable. This modification resulted in a wage increase equal to 5 percent for many sugarcane workers, in addition to the voluntary increase already effected by the producers. The average daily earnings for all short-term contract workers in Hawaii in 1938 were $2.34, compared with $2.06 in 1937 and $1.76 in 1936. Of these workers the average earnings per day for those engaged in harvesting operations were $2.45 in 1938, compared with $2.06 in 1937. For workers engaged in planting and cultivating operations the average daily earnings for 1938 were $1.98 compared with $1.72 in 1937.

In the 1939 determination (Federal Register, vol. 4, p. 410) there were established various minima for annual average daily earnings for specified operations and categories of workers. In addition a minimum wage per day for a pay period not to exceed 1 month was included for all workers engaged in any phase of sugarcane field work. The general level of wage rates for 1939 as contained in the determination was comparable with the rates prevailing in 1938. This deter-

mination also provided that the rates for adult female workers were not to be less than three-fourths of the rates specified for adult male workers. As in previous determinations, provision was made requiring each producer who wished to qualify for payments under the act, to furnish laborers free of charge with the perquisites customarily furnished by him.

FINANCES FOR THE SUGAR PROGRAM

The Department of Agriculture Appropriation Act, fiscal year 1939, provided an item of $48,000,000 for administration of the Sugar Act. This amount proved insufficient to cover the cost of the sugar program in that year because of (1) obligations on the 1937 crop which could not be paid until the fiscal year 1939; and (2) unexpected obligations to producers arising from the production of record crops of beets and cane in the continental producing areas. Consequently, on May 2, 1939, Congress made available for the fiscal year 1939 an additional $6,500,000 in the Second Deficiency Appropriation Act, of which $5,000,000 was a direct appropriation and $1,500,000 was reappropriated from the unexpended balance of the 1938 appropriation. Therefore, the total amount available during the fiscal year was $54,500,000, and the total obligations to be met from those funds are estimated at approximately $53,945,000.

The foregoing expenses are more than offset by the collection into the United States Treasury, pursuant to the provisions of title IV of the Sugar Act, of excise and import compensating taxes on sugar amounting to $68,769,300 in the fiscal year 1939.

The policy adopted at the inception of the sugar program of utilizing wherever feasible existing governmental agencies to administer the Sugar Act instead of setting up new units was continued during the last fiscal year. The personnel of the Sugar Division consists of a small administrative staff who are responsible for the conduct of investigations, for formulating the necessary findings for approval of the Secretary, and for issuing instructions for field officers. At the close of the fiscal year it had an administrative and clerical staff of 40 employees. The field work for the conditional payment program has been carried on in continental United States and in Puerto Rico and Hawaii by the Agricultural Adjustment Administration. The total administrative expense, except for the expenditures in county offices which are borne pro rata by the producers, was about 1.3 percent of the total cost of the sugar program.

All the administrative work in the field connected with the quota system has been handled by the Bureau of Customs. Other agencies which assist the Sugar Division in its work are the office of the Solicitor for all legal work and conduct of public hearings required by the act, the Office of Information, the Bureau of Agricultural Economics, and the Office of the Treasurer and Division of Disbursement in the Treasury Department.

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CHAPTER 6

THE SUGAR PROGRAM

I. DEVELOPMENTS IN 1939–40

The most important development in the domestic sugar situation during the year was the suspension of the sugar program on September 11, 1939, and its subsequent reinstatement on December 26 of the same year, by Presidential proclamations. The President's action in suspending sugar quotas, taken under the emergency powers conferred by the Sugar Act of 1937, was made necessary by the repercussions in the United States sugar market from the outbreak of hostilities in Europe at the beginning of September.

EVENTS LEADING TO QUOTA SUSPENSION

When the war began, many buyers, confronted with an abrupt rise in sugar price quotations and remembering the brief period of high prices and limited sugar supplies following the first World War, started a Nation-wide wave of sugar buying. This, coupled with speculative activity and other factors, raised the price of raw sugar, duty-free New York basis, from $2.93 on August 31 to $3.86 per hundredweight on September 6, and the wholesale price of refined sugar from $4.31 to $5.63 per hundredweight in the same period. However, mainly because of large advance sales in the spring by domestic producers of refined sugar who were under long-term contracts, growers received little benefit from this rapid price advance under their participating arrangement with processors.

During the month of September 1939, a record total of 1,200,544 tons of sugar (compared with an average of 630,159 tons in September of the years 1935 to 1938) was distributed to consumers. This buying rush made great inroads on refined sugar stocks throughout the country and in many cases apparently made holders of sugar unwilling to make deliveries in anticipation of rising inventory values. The Department of Agriculture received communications from all parts of the United States protesting the inability of buyers to purchase or obtain delivery of sugar. The President and the Secretary of Agriculture called public attention to the fact that the Ever-Normal Granary feature of the Sugar Act had permitted the accumulation of reserve sugar supplies ample for all emergency requirements.

In proclaiming suspension of sugar quotas, the President made the following statement:

> I have issued a proclamation today temporarily suspending marketing quotas on sugar as an emergency measure required under provisions of the Sugar Act of 1937.

This suspension was made necessary by increased world demand for sugar as a result of the outbreak of war in Europe, extraordinary purchases of sugar by consumers, and apparent speculative activity. Many consumers, presumably, have been purchasing sugar with the view of holding it in reserve against the possibility of a lengthy war and some speculators and other holders have apparently taken advantage of this situation to advance prices rapidly and capture windfall profits.

The continuance of quota restrictions under the Sugar Act would, of course, place a restraint on the marketing of sugar produced this year in beet sugar producing States and in Louisiana and Florida.

A great number of complaints have been made within the past few days that quota restrictions on sugar marketing are making it difficult and costly for housewives and industrial users to get enough sugar to supply domestic needs.

Sugar quotas first became effective in 1934 with the passage of the Jones-Costigan Act. Under peacetime conditions the quota system protected producers of sugar but made ample supplies of the product available at reasonable prices to consumers. Of necessity, however, the quota system meant certain restrictions. Suspension of quotas removes all these restrictions.

It should be kept in mind that, under the law, quotas may be reinstated if such step becomes necessary for the welfare of sugar producers.

It should also be noted that domestic sugar producers will continue to receive payments under the 1939 conditional payment program now in effect. Producers will, of course, understand that under provisions of the Sugar Act it should not be assumed that payments can be made with respect to future crops so long as quotas must be continued in suspension. Nor should anyone assume that increased acreage planted under the stimulus of war conditions can be made permanent for purposes of determining future allotments.

DISTRIBUTION EXCEEDED ESTIMATED REQUIREMENTS

It should be noted that at the time quotas were suspended the estimate of consumers' requirements, established by the Secretary on March 30, 1939, was 6,755,386 tons, a reduction from the initial estimate of 6,832,157 tons made on December 23, 1938. The Department's estimate for 1939 was severely criticized by some interested persons during the entire year prior to suspension of the program as making available excessive supplies of sugar to consumers. However, the actual sugar distribution for consumption for the calendar year 1939 amounted to 6,870,491 tons.

Some domestic sugar producers appeared to fear that the quota suspension would permit Cuba to flood the United States market with sugar. However, the mandatory increase in the duty on Cuban sugar from $0.90 to $1.50 per hundredweight (under the provisions of the Reciprocal Trade Agreement with Cuba) immediately after the lifting of sugar marketing limitations, greatly reduced marketings of Cuban sugar until December 26, 1939, when the President's announcement of reinstatement of the quota system was followed by a return of the duty on Cuban sugar to $0.90. Cuban producers were then able to fill their former quota within about 2,000 tons. Domestic areas, on the other hand, were able to dispose of their carry-over stocks, the continental beet area exceeding its 1939 quota by 243,000 tons, the mainland cane area by 162,000 tons, Hawaii by 18,000 tons, and Puerto Rico by 319,000 tons, a grand total of 742,000 tons. To the extent that domestic producers were able to dispose of these carry-over stocks at relatively favorable prices, the need for subsequent acreage adjustment was accordingly lessened.

THE SUGAR LEGISLATION

Hearings on proposed sugar legislation were held by the House Committee on Agriculture on April 10, 11, and 12, 1940. At that time 17 sugar bills were pending before the Committee, and Congress was expected to adjourn shortly. Since the quota provisions of the Sugar Act of 1937 were due to expire on December 31, 1940—that is, before the Congress would normally meet again, and since experience had taught producers to fear any break in the Federal sugar program, immediate legislative action was desired.

The sugar hearings failed to produce any agreement between the various parts of the domestic sugar industry. On April 11, President Roosevelt wrote to Chairman Marvin Jones of the House Committee on Agriculture, stating that he felt legislative action was not necessarily needed at that time, but that it might be advisable to continue the present Sugar Act for an additional period. The President's letter follows:

THE WHITE HOUSE,
Washington, D. C., April 11, 1940.

DEAR MR. CHAIRMAN: Reference is made to your recent letters to the Departments of State, Interior, and Agriculture, requesting comments on the various bills with respect to sugar which were introduced in the Seventy-sixth Congress and are now pending before the House Committee on Agriculture. In accordance with your request, and since your Committee is now holding public hearings on these measures, it is believed that you may wish to have at this time a summary of our views on the basic issues of public policy which are involved in this group of bills.

In reviewing the present sugar situation I have been gratified to note the great improvement in conditions that has taken place since the adoption of the sugar program 6 years ago. Domestic sugar producers are fortunately receiving incomes at approximately the parity level, and they are enjoying a large volume of production. The losses of sugar processors in the years preceding the program have been converted into profits; child labor has been greatly reduced; wages and working conditions for labor have been improved; and there has been brought about an important and greatly needed recovery in the market for our surplus products in the foreign countries from which sugar is imported into the United States. Furthermore, the world price of sugar has increased substantially.

I also find that under the existing provisions of the Sugar Act of 1937, domestic sugar producers and processors will receive price protection through the quota system for the full calendar year of 1940, and that domestic sugar beet and sugarcane growers will receive benefit payments on their 1940 crops even though the marketings of the sugar may extend well over into 1941. The seaboard cane sugar refiners are protected for an indefinite period against competition of Philippine refiners under terms of the Philippine Independence Act, and they will continue to enjoy quota protection from the competition of Cuban refiners for the full calendar year of 1940. The tax on sugar will remain until July 1, 1941. Consequently, it seems clear that no sugar legislation is necessarily required at this session of the Congress although it might be advisable to extend the life of the Sugar Act of 1937 for an additional period through a joint resolution of the Congress.

In considering the questions raised by these bills, I find myself again confronted with the fact that the basic problem of good government inherent in sugar legislation is to balance, practically and fairly, the directly conflicting interests of the various groups of American citizens concerned; the producers of sugar and the producers of export commodities, the farmers and the processors, the employers and labor, and the industry as a whole and consumers and taxpayers. These requirements of the general welfare indicate that at

least three fundamental aspects of the major bills on sugar now pending before the House Committee on Agriculture should be given special consideration:

In the first place, several of the proposals would unavoidably bring about an impairment of the export market for surplus American agricultural and industrial products, and they would do so at a time when increased export outlets are so greatly needed. It is to be regretted that each increased acre of domestic sugar beet and sugarcane production inevitably results in a contraction of our export markets in an amount equal to the value of the product of several acres of our principal agricultural crops. A decrease in sugar imports would, therefore, require an unnecessary and painful readjustment and contraction in our production of export commodities. It would also injure the economic status of other American republics, to which we must look in increasing degree for enlarged outlets for the products of our own labor, land, and factories. It would strike a serious blow, particularly at the foreign marketing of such important surplus farm commodities of the United States as corn-hog products, rice, wheat, and cotton.

In the second place, some of these bills would discard the established basis of distribution of quotas among the various sugar-producing areas that was carefully developed by the Congress after considerable labor. In its report to the Congress in 1937, your committee stated that the quotas had been arrived at "after careful consideration of the history of production in each area and its present and future capacity to market." I believe that we all appreciate readily the natural desire of each producing area to enlarge its share of the market, but it would be most difficult to justify an abandonment of the existing distribution of quotas in favor of a new and arbitrary basis of allotments. It is also clear that a reshuffling of domestic quotas so as to discriminate against producers in the domestic insular areas would, under the special circumstances, hardly be a conscionable procedure. The people of the Territory of Hawaii and the possessions of Puerto Rico and the Virgin Islands are American citizens who compose some of those minority groups in our population with local governments that lack the protections of statehood. If this circumstance were not given adequate consideration, it would be possible to destroy by legislation the livelihood of our citizens in the insular parts of the United States through the enactment of discriminatory prohibitions against their products; and they would possess no legal power to take counter measures in self-defense. Such a course of action, as I have pointed out on a previous occasion, would be tantamount to an imperialistic classification of citizens and a tyrannical abuse of minority rights that is utterly contrary to the American concept of fairness and democracy. Among the cases in point is the proposal to reinstate the former discrimination against the refining of sugar in the insular parts of the United States.

In the third place, the bills submitted to your committee include a proposal that would sacrifice the protection afforded consumers under existing legislation and substitute a sugar price standard requiring a reduction in total quota supplies to consumers to a point that would enhance sugar prices beyond the level required to give a majority of producers full parity returns. One of the principal objectives of the sugar program is to assure producers and others fair and reasonable incomes; but after that has been done, further increases in price would place an excessive burden of public protection for the sugar industry as a whole on agriculture, industry, consumers, and taxpayers.

Under the existing circumstances, with sugar producers enjoying approximately a parity level of income and a large volume of production, with labor being benefited by improved wages and working conditions, with sugar processors making substantial profits, and with a gratifying increase in our exports to foreign sugar-producing countries, I am confident that the House Committee on Agriculture will not recommend any bill that would impair the foreign outlets for our surplus products, run counter to the good-neighbor policy, discrimi-

nate among various groups of domestic producers and processors, or increase the burden on our consumers and taxpayers.

Very sincerely yours,

FRANKLIN D. ROOSEVELT

HONORABLE MARVIN JONES,
Chairman, Committee on Agriculture,
House of Representatives,
Washington, D. C.

Sometime later the House Agriculture Committee reported favorably on a resolution continuing the present act. It rejected an amendment to reinstate the former limitations on Hawaiian and Puerto Rican direct-consumption sugar, which the Administration had continuously and strongly opposed as discriminating against insular parts of the United States. These restrictions, which had expired on February 29, 1940, were subsequently reinstated in the bill by the House. The continuing resolution (known as Public, No. 860, 76th Cong., 3d sess.), was enacted on October 15, 1940.

Other sugar legislation enacted by this Congress consisted of an amendment (Public, No. 660, 76th Cong., 3d sess.) to the child labor provisions of the Sugar Act of 1937, and of amendments (Public, No. 104, 76th Cong., 3d sess.) to the proportionate-share provisions of the act and to the section of the act dealing with the estimate of consumer sugar requirements.

II. DISTRIBUTION OF THE INCOME OF THE DOMESTIC SUGAR INDUSTRY

The Sugar Act of 1937 attempts to solve the problem of a fair and reasonable distribution of the income available in the industry by the excise-tax, conditional-payment program and by two specific provisions: One authorizing the Secretary of Agriculture to make recommendations, after hearing and investigation, with respect to the terms of purchase agreements; the other, requiring that a processor who wishes to qualify as a producer for a conditional payment under the act pay for any sugar beets or sugarcane purchased from other producers at rates determined by the Secretary to be fair and reasonable.

INCOME DISTRIBUTION IN THE BEET SUGAR PRODUCING AREA

Table 25 sets forth the essential data relative to the distribution of the net proceeds realized from the sale of beet sugar for the past 10 years. It will be noted that in those years in which a tax and conditional payment program was operative (1934, 1935, 1937, 1938, 1939) the income of the producer averaged in excess of that secured by him in years in which there was no such program. The relation of the processor's net income to his net worth is indicative of the earning capacity of the processing industry.

TABLE 25.—*Amount and distribution of the income of the domestic sugar beet industry, 1930–39 inclusive*

Crop	Net proceeds from sale of sugar	Gross income of growers	Net proceeds from sale of sugar retained by processors	Percent of total income of industry received by—		Grower's income per ton of beets	Processor's net income expressed as a percentage of average net worth for fiscal year ended following calendar year
				Grower	Processor		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Thousands	*Thousands*	*Thousands*				
1930	$98,573	$65,698	$32,875	66.65	33.35	$7.14	−5.42
1931	82,307	46,948	35,359	57.04	42.96	5.94	−4.19
1932	100,147	47,705	52,442	47.63	52.37	5.26	1.95
1933	123,100	59,176	63,924	48.07	51.93	5.36	9.91
1934	101,704	58,352	43,352	57.37	42.63	6.91	8.38
1935	105,494	55,074	50,420	52.21	47.79	6.89	11.36
1936	110,840	54,636	56,204	49.29	50.71	6.05	12.64
1937	111,939	63,391	48,548	56.63	43.37	7.15	8.30
1938	133,139	76,318	56,821	57.32	42.68	6.52	5.22
1939 [1]	128,305	72,919	55,386	56.83	43.17	6.70	8.00

[1] Preliminary.

Col. (1)—Production of beet sugar multiplied by average net return from sales plus Government payments (excluding payments made under Soil Conservation and Domestic Allotment Act).
Col. (2)—Payments made to growers by processors plus Government payments.
Col. (3)—Col. (1) minus col. (2).
Col. (4)—Col. (2) divided by col. (1).
Col. (5)—Col. (3) divided by col. (1).
Col. (6)—Processor payments plus Government payments other than abandonment, deficiency, and payments made under Agricultural Conservation Program.
Col. (7)—Representing from 80 to 99 percent of the annual production.

Source of basic data other than column 7: Agricultural Statistics, 1939, p. 126, table 170, and records of the Sugar Division of the Agricultural Adjustment Administration.

FAIR-PRICE DETERMINATION FOR THE 1940 SUGAR BEET CROP

In view of certain gaps in available information and uncertainties relative to the continuance of the Sugar Act, tentative recommendations, rather than a final determination, with respect to prices for the 1940 crop were issued in the spring of the year. Under the tentative proposal the country was divided into several districts and recommendations were made on a district basis. In some districts the tentative recommendations have, in large part, been incorporated into purchase agreements.

The proposals embodied in the tentative recommendations involve change in three aspects of the purchase agreements in use in the beet area west of the Mississippi River. They involve (1) changes in price schedules included in the purchase contracts, the extent of these changes being dependent upon the sugar content of the beets and the net return from the sales of beet sugar extracted from such beets; (2) elimination of the clause now included in many purchase agreements whereby the payments incorporated in the stated schedule of prices to be paid for beets are reduced at the rate of 1 percent for each 5-cent decline in net returns below $3.25 per 100 pounds; (3) elimination of the practice engaged in by some processors whereby the net return used to arrive at the price basis on which each company individually settles for beets purchased is determined by averaging the net return of several processing companies. This proposal would require uniform adherence to the general practice in which the net return used by a particular company to establish a price basis of

settlement with its growers is the net return realized by that company from the sale of beet sugar extracted from beets purchased from these growers.

The tentative recommendation does not contemplate any change for those areas in which the so-called "50–50" purchase contract is in general use.

INCOME DISTRIBUTION IN THE MAINLAND SUGARCANE AREA

The mainland sugarcane area is composed of the two States of Louisiana and Florida. As nearly all of the Florida production is controlled by one corporation, statistical data with respect to Louisiana only are presented in table 26.

TABLE 26.—*Estimated amount and distribution of the income of the Louisiana raw sugar industry—1930–39, inclusive*

Crop	Proceeds from sale of cane sugar (1)	Total income of industry from sugar (2)	Gross income to growers (3)	Growers' income per ton cane (4)	Gross income to processors from sugar (5)	Percent of total income of industry received by— Grower (6)	Processor (7)
	Thous.	*Thous.*	*Thous.*		*Thous.*		
1930	$12, 558	$12, 558	$8, 649	$3. 38	$3, 909	68. 87	31. 13
1931	10, 240	10, 240	7, 343	3. 29	2, 897	71. 71	28. 29
1932	13, 315	13, 315	8, 831	3. 06	4, 484	66. 32	33. 68
1933	13, 627	13, 627	8, 554	3. 29	5, 073	62. 77	37. 23
1934	13, 470	20, 960	14, 524	4. 81	6, 436	69. 29	30. 71
1935	22, 022	25, 105	16, 080	3. 93	9, 025	64. 05	35. 95
1936	28, 255	28, 255	18, 008	3. 71	10, 247	63. 73	36. 27
1937	25, 839	30, 708	20, 170	3. 84	10, 538	65. 68	34. 32
1938	27, 692	33, 592	21, 426	3. 66	12, 166	63. 78	36. 22
1939 [1]	25, 547	30, 558	19, 568	3. 85	10, 990	64. 04	35. 96

[1] Preliminary.

Col. (1)—Production of sugar from sugarcane multiplied by price received in sale of sugar. 1930–33, inclusive, price is average of monthly average quotations on 96° raw sugar, New York duty-paid basis, October–February; 1934–39, Louisiana season average price of 96° raw sugar, as reported by Louisiana exchanges.
Col. (2)—Col. (1) plus Government payments (excluding payments made under Soil Conservation and Domestic Allotment Act).
Col. (3)—Payments made to growers by processors plus Government payments.
Col. (4)—Agricultural Statistics, 1939, p. 134, table 180. Including Government payments when made.
Col. (5)—Col. (2) minus col. (3).
Col. (6)—Col. (3) divided by col. (2).
Col. (7)—Col. (5) divided by col. (2).

Source of basic data: Agricultural Statistics, 1939, p. 134, table 180, and records of the Sugar Division of the Agricultural Adjustment Administration.

From the above table it will be noted that, while the total income of the industry has increased sharply in recent years, its distribution between processors and producers has not been significantly altered. During the early years of the period, largely as the result of small crops, competition for cane supply had created a situation in which virtually all of the processors were suffering losses. With the increased size of crops in recent years, many of the older mills have reached capacity utilization so that it has been necessary to increase the grinding facilities of the area by increasing the capacity of old plants and by the construction of new plants. In these circumstances the active competition for a supply of cane has been between producers for a market rather than between mills.

A great majority of the processors in the area are also producers of sugarcane. In view of this situation, the price of cane, as determined by the Secretary of Agriculture, tends to become the prevailing standard. The determination issued with respect to the 1940 crop period provided, in the case of Louisiana, for the same rates as in the 1939 period with two minor modifications. These were:

1. That although the price quotations of the New Orleans exchanges will continue to be used, if prices result which do not reflect the true value of the sugar because of inadequate volume of sugar sales on these exchanges, or other factors, the quotations of the New York Coffee and Sugar Exchange, or other qualified sources, are to be substituted.

2. That all processors operating in the same general area are to absorb weighing and hoisting costs, with the exception of those who operated in 1936 and who did not bear such costs in that year. This modification is expected to increase the income of some of those growers served by mills which began operations in 1937 and 1938 but which have not heretofore granted such allowances to all growers.

In Florida, where only a small number of independent producers are engaged in the production of sugarcane for sugar, a purchase agreement embodying an increase in the price of sugarcane of approximately 22 cents per ton has been agreed upon for 1940.

The processor-producer in Florida who produced about 93 percent of the State's 1939 sugar crop reported a 10.7 percent net return on stated net worth for the fiscal period ending on June 30, 1940.

INCOME DISTRIBUTION IN THE PUERTO RICAN SUGAR INDUSTRY

The progress made by the Puerto Rican sugar industry since the enactment of Federal sugar legislation is shown in table 27.

TABLE 27.—*Puerto Rico—estimated income of sugar industry and percent net income is of average net worth of a group of processor-producers, 1930–31 to 1939–40*

Crop	Estimated income of industry (1)	Estimated income of producers (2)	Estimated income of processors (3)	Percent net income is of average net worth of a group of processor-producers (4)
1930–31	$47, 605	$30, 813	$16, 792	2. 17
1931–32	50, 705	31, 736	18, 969	5. 70
1932–33	45, 844	28, 423	17, 421	6. 85
1933–34	61, 250	37, 976	23, 274	10. 28
1934–35	57, 663	40, 401	17, 262	8. 82
1935–36	64, 757	40, 970	23, 787	13. 39
1936–37	65, 259	40, 460	24, 799	11. 27
1937–38	68, 152	46, 440	21, 712	7. 04
1938–39	52, 833	36, 567	16, 266	5. 16
1939–40	62, 883	43, 410	19, 473	----------

Col. (1)—1930–31 to 1933–34 seasons, New York market price, January to June less \$5.52 per ton, multiplied by production. 1934–35 to 1939–40 price, weighted by volume of deliveries each month less \$5.52 per ton, 1934–35 to 1936-37, \$5 per ton in 1937–38 and \$5.40 per ton in later years multiplied by production. Government payments added for years applicable.

Col. (2)—1930–31 and 1931–32, Tariff Commission Report No. 73. 1932–33 to 1936–37, inclusive, 62 percent of the f. o. b. mill value, later years 63 percent; Government payments added.

Col. (3)—Difference between col. (1) and col. (2).

Col. (4)—Representing 38 to 51 percent of annual production of raw sugar. In one instance, includes financial results of operations in Santo Domingo.

An examination of these data indicates that, as a result of the operation of the tax and conditional-payment plan, the portion of the total

income accruing to the producer, as well as its size, has increased. At the same time there has been a decline in the net income received by the processor–producers as indicated by the contrast between the 1936–37 season and the following seasons.

FAIR-PRICE DETERMINATION, 1939–40 CROP

At hearings held in San Juan, P. R., spokesmen for processors and colonos (growers) testified that a purchase agreement, acceptable to all parties, had been reached. The spokesmen recommended the contract to the Secretary as a basis for his findings. The agreement, which provided for a continuation of the previous percentage distribution of returns but which allocated part of the cost of carrying excess inventories to the colono, was incorporated in the determination later issued.

INCOME OF THE HAWAIIAN SUGAR INDUSTRY

The total return from the 1939 sugar crop in Hawaii, where 90 percent of the sugarcane is produced by processor-producers, exceeded that of the unfavorable crop of the preceding year by approximately $5,000,000. The contract structure governing the purchase of the 1939 crop has been continued for the 1940 crop period, after a public hearing in which processors and producers stated it to be fair and equitable. Under this structure the adherent planter, who receives a price slightly below the value (on a New York basis) of one-half of the sugar recovered from his cane, is guaranteed a so-called subsistence advance, not to exceed $40 per acre per crop period. Repayment of the advance is required only in the event the final liquidation is sufficient to retire the indebtedness of the planter.

GENERAL FACTORS AFFECTING INCOME DISTRIBUTION

It is seldom realized that in its economic aspects the processing branch of the sugar industry is in many respects similar to a public utility enterprise. Limitation of producers' marketing opportunities, the importance of fixed costs in the operating structure of processing units, and the nature of the Government protection afforded the industry tend to foster the development of characteristics commonly found in public utility structures.

Sugarcane and sugar beets are both bulky and semi-perishable commodities which cannot absorb the cost of transportation for great distances to competitive central markets, nor can they be stored safely for long periods of time. Sugarcane may be allowed to stand in the field for some time, but, once cut, it must be ground immediately. Sugar beets may be stored in huge piles for a period after harvesting but the risk of spoilage is ever present. The sale of these commodities is therefore confined to a limited marketing area and to a relatively short marketing period.

The value of the plant facilities required for the processing of these commodities, after deduction of raw material costs, is very great in relation to the value of the output. In other words, the fixed and overhead costs of the processing enterprises are a very significant part of the total costs. Consequently, any inadequacy of raw material

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supplies, whether resulting from the overbuilding of processing facilities or from subnormal crops, reduces the annual period of operation, thereby substantially increasing the unit cost of manufacture.

For these reasons duplicate and competing processing facilities are seldom constructed, so that the only market available to the producer, within the range of reasonable transportation costs, is generally the plant of a single buyer, and the processor has, to this degree, a buyer's monopoly. In these circumstances the distribution in the sugar industry of the total available income becomes exceedingly important.

Producers in all the domestic areas, in fact practically throughout the world, have attempted to solve the problem of a fair distribution of the available income between themselves and the processors by the use of purchase agreements under which the price paid for the raw material is established on a participating basis in relation to the value of the product. The proceeds realized from the sale of sugar are divided between the processor and the producer in accordance with a predetermined ratio.

Under a plan of Government protection which includes the establishment of area quotas and marketing allotments, the problem is further complicated. Current sugar legislation provides, in part, that if certain circumstances exist: "Allotments shall be made in such manner and in such amounts as to provide a fair, efficient and equitable distribution of such quota or proration thereof by taking into consideration the processings of sugar * * * from sugar beets or sugarcane to which proportionate shares * * * pertained; the past marketings * * * of each such person; or the ability of such person to market that portion of such quota or proration thereof allotted to him * * *."

It will be noted that it is required that the allocation of marketing quotas, constituting the creation of a vested right in the market, be based principally upon the historical record of each firm. It is obvious, therefore, that a new processing organization could not be assured of a marketing allotment in advance of public hearing, and that, in view of the standards incorporated in the legislation, a historical record of production would have to be developed before any allotment could be made. In these circumstances the market for sugar beets and sugarcane is in a large degree confined to those processing organizations now in business.

III. QUOTA ADMINISTRATION

When the sugar quota system was suspended on September 11, 1939, the estimate of United States consumer requirements for that year was 6,755,386 short tons, raw value. With the removal of restrictions on sugar marketings and the extraordinary demands of consumers, the quantity of sugar obtained by buyers from offshore areas plus that marketed by the continental beet and cane areas totaled 7,465,633 tons.

On December 29, 1939, the Department announced that the total supply of quota sugar required to meet consumers' needs for 1940 would be 6,725,100 tons. In accordance with the act, recognition had of course been given to the large stocks of sugar carried over into 1940. It was stated that, when additional official data on year-end

sugar distribution and stocks became available, it might be necessary to change that figure. On February 23 Secretary Wallace reduced the quotas to 6,607,745 tons, a decrease of 117,355 tons.

The invasion of the Low Countries and France in May was soon followed by a serious decline in the world price of sugar which was accompanied by a weakening in the domestic price. The world price of sugar, which had averaged about 1.75 cents per pound in the first 4 months of 1940, fell to 0.91 cent per pound by September, while the domestic price dropped from 2.83 cents per pound to 2.70 cents during the same period.

The Department, therefore, issued an explanatory press statement on May 24, pointing out that ever since the quota system had been inaugurated in 1934, the price of sugar in the United States had been independent of the world market, and that as long as such a system was in effect there was no prospect of world surpluses flooding the domestic market. In the same release the Sugar Division again called attention to the fact that under existing legislation the Secretary has authority to adjust market supplies of sugar to estimated requirements of consumers.

On July 11 the Sugar Division announced that, in view of the price situation and the supplies available to consumers, that portion of its quota which could not be filled by any area supplying the United States market would not be reallotted to other areas unless unforeseen circumstances developed.

A further step which improved the domestic price situation was taken by Secretary Wallace on August 26, after data on distribution and stocks for the first half of 1940 had become available, when he announced an additional reduction in the estimate of consumer quota needs. The estimate was reduced to 6,471,362 tons, a decrease of 136,383 tons, or a total decrease of 253,738 tons from the initial estimate of December 29, 1939. The Sugar Act provides that when the requirements of consumers are estimated at less than 6,682,670 tons, the share of the domestic areas may not be less than 3,715,000 tons, and that any reduction is to be sustained by the Commonwealth of the Philippines, and Cuba and other foreign countries. The act also provides, however, that the share of the Philippines may not be reduced below the quantity of sugar (approximately 983,000 short tons, raw value) which the islands may ship into continental United States duty-free. Consequently the result of the latest reduction in quotas was that the quantity of sugar which Cuba is permitted to send into the United States in 1940 is the smallest admitted in any year since 1912 with the exception of 1933. The 1940 quotas now in effect are as follows:

	Tons		*Tons*
Domestic beet area	1, 549, 898	Commonwealth of the Philippines	982, 441
Mainland cane area	420, 167	Cuba	1, 749, 744
Hawaii	938, 037	Foreign countries other than Cuba	24, 177
Puerto Rico	797, 982		
Virgin Islands	8, 916		
		Total	6, 471, 362

MARKETING ALLOTMENTS

Because total sugar supplies in the continental beet and mainland cane areas were expected to be greater in 1940 than the area marketing quotas for the year, the allotment of the quotas for these areas was again necessary in order to assure all processors a fair opportunity to market sugar, to prevent disorderly marketings, and for other reasons specified in the act. The standards which must be used in making such allotments and the effectiveness of these standards in limiting the entrance of new organizations in the beet and cane processing field have already been discussed.

The manner in which the beet area's quota would be distributed was announced by the Department on March 26, following a formal public hearing held on February 19 at which all interested parties agreed to a stipulated distribution.

The marketing allotment hearing for the mainland cane area was held in New Orleans on February 29, and the allotment was announced on May 1.

The allotment of the 1940 quota for Puerto Rico, where marketing allotments have been necessary every year since sugar legislation was enacted in 1934, was announced on April 10.

Tables showing the allotment of the continental beet, mainland cane, and Puerto Rico quotas for 1940 among the various processors in these areas are given in the appendix. (See pp. 146–148.)

IV. ADMINISTRATION OF CONDITIONAL PAYMENT PROGRAMS

Growers who wish to receive the conditional payments authorized by the Sugar Act of 1937 are required to comply with the "proportionate shares" or acreage allotments for their farms, to pay fair and reasonable wages to field laborers, to refrain from employing child labor, and to carry out soil-conserving practices. It has already been pointed out that grower-processors who intend to apply for Federal sugar payments are also required to pay fair and reasonable prices for cane or beets bought from other growers.

Shortly after the suspension of sugar quotas in September 1939, domestic sugar producers were informed that all beet and cane growers who met the various conditions of payment would be paid on the 1939 crop. However, in view of the war emergency, producers were advised that the payment conditions on that crop could not be met by the destruction of cane or beets, and that payments would be withheld in cases where cane or beets were destroyed for purposes of compliance or for any other purpose. At the same time growers were advised that in view of the quota suspension no sugar payment program was in effect or contemplated at that time for the 1940 crop in any producing area. On December 26, the Department announced resumption of the sugar program, following the President's proclamation restoring the sugar quota system.

"PROPORTIONATE SHARES" FOR GROWERS

CONTINENTAL BEET AREA

Growers in the continental beet area were advised early in March that the proportionate share (acreage allotment) for any farm for the 1940 crop would be the acreage of sugar beets planted on the farm for the production of sugar. The establishment of restrictive acreage allotments for growers in this area was at that time deemed unnecessary because it was not expected that the 1940 crop, in view of drought, floods, and other adverse factors, would produce an amount of sugar which, when added to current supplies, would be more than that required to meet the area's quota and carry-over requirements. It has already been pointed out that the quota suspension permitted the continental beet area to dispose of a carry-over of 243,000 tons, thus reducing considerably the amount of sugar carried over into 1940.

MAINLAND CANE AREA

The Sugar Division found it possible on February 3, 1939, to announce the basis for calculating the proportionate shares for farms in the mainland cane area for the 1940 crop. It was felt that announcement at that time would enable growers to calculate well in advance of the planting season the 1940 acreage of sugarcane on which they could qualify for sugar payments.

Producers were advised that any grower who had made in 1939 the required basic acreage reduction of 25 percent from his 1938 planted acreage, as well as small growers (who had been exempted from such reduction), would be entitled to an acreage allotment in 1940 equal to their 1939 measured proportionate-share acreage. Growers who had been unable to complete their acreage adjustment in 1939 were informed that they would be expected to do so in 1940; however, since there still was time for the adjustment of the 1939 acreage by taking stubble canes out of cultivation, growers not required to make the reduction in 1939 were advised they might nevertheless do so.

New growers in 1940 were informed they might obtain acreage allotments not in excess of one-third of their acreage suitable for sugarcane, but in no event more than 10 acres. Moreover, growers who obtained a 1939 proportionate share of 10 acres or less but who did not plant all of such acreage that year were told they would be able, upon application, to increase their 1940 acreage up to the amount of their 1939 proportionate share.

On October 6, 1939—that is, a week after the Department had announced that in view of the quota suspension no 1940 sugar program was then contemplated—the Sugar Division stated, for the benefit of growers in the mainland cane area who wished to be assured of qualifying for conditional payments if a 1940 program should later be made effective, that such growers should plan their 1940 crop operations in accordance with the provisions of the acreage-allotment determination announced February 3, 1939, even though that determination was no longer in effect.

Early in 1940 the Sugar Division announced that, as a result of the increased marketings which the mainland cane area had been able to make because of the quota suspension, the quantity of sugar

needed to enable the area to meet its 1940 sugar-quota and carry-over requirements was established at 505,000 short tons, and the acreage required to produce this sugar was estimated at 288,000 acres. Since those estimates were higher than they would have been had marketing restrictions not been lifted in 1939, it was necessary to change the acreage-allotment basis for individual growers in order to provide a fair distribution of the additional acreage available.

Growers who had failed to make the basic 25-percent acreage reduction or who had increased their acreage during the suspension period in the fall of 1939 wished to be exempted from the acreage allotment compliance condition of payment. On February 28, 1940, in response to a request from Congress as to the Department's position in the matter, the Department reported unfavorably on pending legislation which would have exempted such growers from compliance and which would have permitted full payment not only on the sugar produced on their proportionate-share acreage but also on that grown on excess acreage. "Enactment of the proposed legislation," the Department's report stated, "would therefore be unjust to the many producers who made the required acreage adjustment in 1939."

Subsequently, the objectionable features of the proposed legislation were removed and the legislation was enacted. It permits growers who have complied with other conditions of payment to harvest up to 110 percent of their proportionate share, or their proportionate share plus 25 acres, whichever is larger, without any deduction from the conditional payment on their 1940 proportionate share. Growers with acreage in excess of that which may be harvested without deduction will have deducted from their payment $10 for each excess acre harvested (after the tolerance factor mentioned) up to 500 acres, and $20 for each acre above 500 acres.

However, the severe damage caused to the 1940 crop in the mainland cane area this year by freeze, storm, and floods has greatly reduced the excess acreage of sugarcane.

HAWAII

It has not been found necessary to establish detailed regulations on proportionate shares for growers in Hawaii since sugar quota legislation has been in effect, because the quantity of sugar produced in that area has not been in excess of that needed to fill the Territory's local-consumption quota and the quota for marketing in continental United States.

PUERTO RICO

The determination of proportionate shares for the 1940 crop in Puerto Rico, issued on November 18, 1938, provided for substantially the same proportionate-share basis as in previous years.

It was announced on December 29, 1938, that applications for new proportionate shares for 1940 would be allowed only for growers who had completed their plantings on or before December 31, 1938, and the action was given formal effect in an amendment to the 1940 determination issued on February 14, 1939. It was pointed out in the previous report that this action was taken to prevent an excessive transfer of acreage from old to new growers. Prior to this ruling approximately one-fifth of the total Puerto Rican proportionate shares had been transferred from old to new growers.

MINIMUM WAGES AND CHILD LABOR

Six determinations establishing minimum wages for beet and cane field workers were issued during the year. Two of these concerned the continental sugar beet area, the first one issued being applicable to California, where the season starts early, and the second covering all other beet States. Both of these determinations continued in 1940 the basic wage rates established for the 1939 crop for persons employed in the production, cultivation, or harvesting of beets. The determination for the beet States other than California also established hourly rates in one district for which only piece rates had previously been specified.

Two determinations were issued for the mainland sugarcane area, one covering the harvesting of 1939 crop sugarcane between September 1, 1939, and June 30, 1940, and the second providing the rates for the production and cultivation of cane during 1940. These two determinations maintained the same rates established for the previous year and, in addition, were extended to include minimum rates for certain other types of work (such as that performed by teamsters and tractor drivers) for which separate rates had not previously been specified.

The Hawaiian wage determination established rates for the production, cultivation, or harvesting of sugarcane during 1940, and in this case, too, the rates were identical with those for 1939.

The only wage determination issued for Puerto Rico during the year continued during 1940 the rates established for 1939. These rates are in accord with the terms of the collective agreement between the Association of Sugar Producers of Puerto Rico and the Free Federation of Workingmen of Puerto Rico. A new feature in this determination was a clause providing a bonus system which was to become effective when the average price of sugar was 3 cents or more per pound.

The problem of certain growers who had been found to employ child labor, in many cases inadvertently, was dealt with by the passage of an amendment to the child labor provisions of the Sugar Act. The amendment was enacted on June 25, 1940. It provided that conditional payments could be made to these growers after a deduction of $10 for each child for each day or portion of a day during which such child worked on the 1937, 1938, or 1939 crops.

FARMING PRACTICES

The soil-conserving and soil-improving practices established under the 1940 sugar program for growers in the various sugar-producing areas who wished to receive Federal sugar payments were substantially the same as those for the 1939 program.

In the continental beet area the practices included the seeding or maintenance of adapted legumes or grasses, the plowing under of adapted green manure crops, and the application of animal or chemical fertilizers to the soil. The relatively minor changes made for the 1940 California beet crop were designed primarily to promote further the incorporation of organic matter within the soil by growing grasses and legumes, and to discourage farming practices which permit the continuous cropping of land to sugar beets.

The practices for the mainland cane area were the same as in 1939. They provided that any grower who wished to qualify for a Federal conditional payment was required to have an acreage of the designated practices equal to at least 30 percent of his acreage in sugarcane, and the practices were to be carried out on land adapted to sugarcane production. The approved practices consisted chiefly of seeding or turning under legumes or other crops beneficial to the soil, and each practice had a definite value for soil-building purposes.

Hawaiian sugarcane producers who wished to receive Government payments were required to apply specified amounts of plant food, in chemical fertilizer, to each acre of sugarcane. It was also required that the acreage fertilized was to be at least as large as the acreage of the farm on which sugarcane was planted, or a stubble crop of sugarcane was started, at any time during 1940.

In Puerto Rico growers were required to apply chemical fertilizer in varying amounts to farms with more than 10 acres of sugarcane. In the case of farms with 10 acres or less of cane, growers instead were permitted to apply the tops and trash cut from sugarcane harvested, or to carry out any of the soil-building practices specified in the 1940 Agricultural Conservation Program bulletin for Puerto Rico.

V. SUMMARY

In summary, the vast majority of sugar growers in the domestic areas have received approximate-parity returns from the 1939 crop. This makes the sixth year under the sugar program during which parity or near-parity returns were realized. It will be noted, however, that this result has been achieved only through the exercise of extraordinary Federal powers, including a limitation on the sugar marketings of all producing areas supplying the United States, the frequent allotment of the quotas of most domestic areas among the processors in the respective areas, a protective tariff mechanism, and a tax-payment program.

APPENDIX B.—STATISTICAL SUMMARIES—
1939 SUGAR PROGRAM

Exhibit No. 7.—PAYMENTS TO SUGAR PRODUCERS—1939 PROGRAM

[Actual payments, except for Louisiana and Puerto Rico payments, which are estimated (as of Aug. 31, 1940)]

Continental sugar beet:	
California	$5,358,680.94
Colorado	3,275,137.91
Idaho	1,935,668.59
Illinois	47,129.49
Indiana	124,382.84
Iowa	90,915.67
Kansas	108,887.53
Michigan	1,867,955.58
Minnesota	547,575.31
Montana	1,864,603.15
Nebraska	1,555,910.06
Nevada	36,437.42
New Mexico	4,623.02
North Dakota	243,318.44
Ohio	694,971.46
Oregon	196,748.39
South Dakota	141,232.25
Texas	2,176.46
Utah	1,290,624.76
Washington	403,123.19
Continental sugar beet—Continued.	
Wisconsin	$302,072.90
Wyoming	1,092,372.17
Total	21,184,547.53
Continental sugarcane:	
Florida	592,525.61
Louisiana	[1] 4,907,369.78
Total	5,499,895.39
Insular region:	
Hawaii	8,974,974.25
Puerto Rico	[2] 10,600,000.00
Total	19,574,974.25
Grand total	46,259,417.17

[1] The total obligations to Louisiana sugar producers recorded through Aug. 31, 1940 amounted to $4,907,369.78, of which $4,761,500.89 had been paid and $145,868.89 had been encumbered for future payment.

[2] While it is expected that the 1939 program payments to Puerto Rican sugar producers will amount to approximately $10,600,000, only $1,444,560.29 had been paid as of Aug. 31, 1940.

Exhibit No. 8.—ALLOTMENT OF 1940 SUGAR QUOTA FOR CONTINENTAL BEET SUGAR AREA

Processor:	*Allotment (short tons, raw value)*
Amalgamated Sugar Co	127,594
American Crystal Sugar Co	188,732
Central Sugar Co	10,633
Franklin County Sugar Co	12,759
Garden City Sugar Co	7,921
Great Lakes Sugar Co	33,228
Great Western Sugar Co	398,730
Gunnison Sugar Co	8,463
Holly Sugar Corporation	206,382
Isabella Sugar Co	10,633
Lake Shore Sugar Co	15,949
Layton Sugar Co	10,845
Los Alamitos Sugar Co	11,696
Processor—Continued.	
Menominee Sugar Co	7,602
Michigan Sugar Co	75,706
Monitor Sugar Co	19,405
Mount Clemens Sugar Beet Growers Association	438
National Sugar Co	8,506
Northeastern Sugar Co	6,739
Ohio Sugar Co	7,443
Paulding Sugar Co	8,506
Spreckels Sugar Co	176,770
Superior Sugar Co	10,101
Union Sugar Co	31,101
Utah-Idaho Sugar Co	154,016
Total	1,549,898

Exhibit No. 9.—ALLOTMENT OF 1940 SUGAR QUOTA FOR MAINLAND CANE SUGAR AREA

Processor:	Allotment (short tons, raw value)
Alma Plantation, Ltd	5, 896
J. Aron & Co., Inc	6, 295
Billeaud Sugar Factory	8, 535
Blanchard Planting Co	2, 041
Caire & Graugnard	2, 880
Caldwell Sugars, Inc	5, 742
A. & J. E. Champagne	146
Columbia Sugar Co	3, 446
Cora-Texas Manufacturing Co., Inc	3, 776
Cypremort Sugar Co., Inc	5, 224
Delgado-Albania Plantation Commission	5, 102
Dugas & LeBlanc, Ltd	6, 708
Duhe & Bourgeois Sugar Co., Inc	5, 465
Erath Sugar Company	8, 048
Evan Hall Sugar Cooperative	9, 415
Evangeline Pepper & Food Products Co	2, 764
W. Prescott Foster	5, 890
E. J. Gay Planting Manufacturing Co	2, 716
Glenwood Sugar Cooperative, Inc	5, 161
Godchaux Sugars, Inc	28, 445
Haas Investment Co., Inc	2, 696
Helvetia Sugar Cooperative, Inc	3, 974
Iberia Sugar Co	8, 667
M. J. Kahao	213
Kessler & Sternfels	277
Lafourche Sugar Co	5, 682
T. Lanaux's Sons	110
Harry L. Laws & Co., Inc	13, 470
Levert-St. John, Inc	8, 371
Louisiana Penitentiary Board	4, 546
Louisiana State University	350
Magnolia Sugar Cooperative, Inc	3, 479
The Maryland Co., Inc	3, 520
S. M. Mayer	59
Meeker Sugar Refining Co	5, 413
Milliken & Farwell, Inc	12, 015
M. A. Patout & Son	5, 544
Poplar Grove Planting & Refining Co	5, 707
Realty Operators, Inc	28. 319
Roane Sugars, Inc	4, 962
E. G. Robichaux Co., Ltd	4, 570
Ruth Sugar Co., Inc	2, 483
St. James Operators, Inc	455
San Francisco P. & M. Co., Ltd	1, 409
Clarence J. Savoie	5, 696
Shadyside Co., Ltd	4, 777
Slack Bros	2, 788
Smedes Bros., Inc	2, 859
Mrs. L. M. Soniat (estate)	3, 179
South Coast Corporation	27, 593
Sterling Sugars, Inc	10, 466
J. Supple's Sons Planting Co., Ltd	4, 499
Tally Ho, Inc	3, 867
Teche Sugar Co., Inc	3, 992
Valentine Sugars, Inc	7, 928
Vermilion Sugar Co	5, 528
Vida Sugars, Inc	3, 303
Waguespack Planting Co	206
Waterford Sugar Cooperative, Inc	4, 810
Waverly Sugar Manufacturing Co. Ltd	140
Webre-Steib Co., Ltd	776
A. Wilbert's Sons L. & S. Co	5, 735
Youngsville Sugar Co	5, 459
Baldwin Sugar Co	1, 050
Breaux Bridge Sugar Cooperative, Inc	5, 051
McCollam Bros	93
D. Moresi's Sons	2, 371
Fellsmere Sugar Producing Association	3, 797
U. S. Sugar Corporation	54, 218
Other Processors	0
Total	420, 167

Exhibit No. 10.—ALLOTMENT OF 1940 SUGAR QUOTA FOR PUERTO RICO

	Continental U. S. marketing allotment	Marketing allotment for local consumption
	Short tons, raw value	*Short tons, raw value*
Processor:		
Aguirre (3 mills)	81, 779. 5	7, 254. 1
Boca Chica and Mercedita	42, 722. 1	3, 789. 6
Cambalache	36, 901. 4	3, 273. 3
Canovanas and Fajardo	79, 254. 0	7, 030. 1
Canos	16, 051. 5	1, 423. 8
Caribe	7, 065. 1	626. 7
Carmen	14, 194. 9	1, 259. 1
Coloso	34, 401. 5	3, 051. 6
Constancia-Ponce	6, 554. 5	581. 4
Constancia-Toa	19, 602. 7	1, 738. 8
El Ejemplo and Roig	33, 986. 0	3, 014. 7
Eureka	18, 878. 4	1, 674. 6
Eastern Sugar Associates	78, 009. 4	6, 919. 7
Guamani	9, 459. 3	839. 1
Guanica	78, 297. 0	6, 945. 2
Herminia	1, 766. 7	156. 7
Igualdad	20, 147. 9	1, 787. 2
Juanita	21, 861. 9	1, 939. 3
Lafayette	25, 820. 2	2, 290. 4
Monserrate	11, 686. 8	1, 036. 7
Pellejas	4, 116. 8	365. 2
Plata	14, 837. 5	1, 316. 2
Playa Grande	7, 194. 9	638. 2
Plazuela	18, 625. 0	1, 652. 1
Rio Llano and Soller	12, 109. 0	1, 074. 1
Rochelaise	8, 942. 8	793. 3
Rufina	24, 417. 0	2, 165. 9
San Francisco	5, 475. 3	485. 6
Santa Barbara	2, 867. 5	254. 4
San Vicente	29, 919. 0	2, 653. 9
San Jose, Inc.[1]	14, 374. 8	1, 275. 1
Victoria	16, 661. 6	1, 477. 9
Total	797, 982. 0	70, 784. 0

[1] Formerly Central Vannina.

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THE SUGAR PROGRAM

DEVELOPMENTS IN 1940–41

During the past year the domestic sugar industry continued to operate profitably under the sugar quota system, and record supplies of sugar at reasonable prices were made available to meet the increased demands of consumers in 1941. The retail price of sugar in the United States during the period July 1, 1940, to June 30, 1941, averaged 5.3 cents a pound, as compared with 5.5 cents a pound in the preceding 12 months. The latter period included September 1939 when a sugar buyers' rush to stock up, following the outbreak of the European war, drove sugar prices to the highest level in many years.

HEAVIER MOVEMENT OF SUGAR

The year 1941 had hardly started when reports began to spread in sugar-trade circles that, because of probable ocean-transportation difficulties, the Philippines, and perhaps Hawaii and other offshore areas also, would be unable to fill their 1941 sugar quotas for marketing in continental United States. Following the spreading of such rumors and despite statements by Government officials concerning available supplies, purchases of sugar increased greatly, refined sugar deliveries in the first 3 months of 1941 being almost a million tons above those in the corresponding period of 1940. Much of this sugar, it later developed, was being added to sugar reserves of manufacturers, housewives, and other users of sugar, although increased consumption resulting from a general rise in purchasing power and a growing amount of speculation also were contributory causes of the heavier movement of sugar.

However, statements on supplies, made in March by the Department and by the National Defense Advisory Commission, supported as they were by the ready availability of such supplies from the Ever-Normal Granary for sugar, which had been built up under the sugar program, apparently calmed buyers, for sugar deliveries in the second quarter of the year returned to normal.

PRICE CEILING

Although increasingly large supplies of sugar were made available to consumers in 1941 through repeated quota increases in accordance with the provisions of the Sugar Act, and total 1941 marketing quotas had been increased to the point that would assure consumers at least 7,769,621 tons, or a million tons more sugar than were actually consumed in 1940, an abrupt and sharp price rise developed in late July and early August. On August 14, 1941, the Office of Price Administration and Civilian Supply found it necessary to place a ceiling on the price of raw sugar "to protect the American public from rampant speculation in sugar, which has been pushing prices far above levels justified by large supplies on hand."

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LEGISLATION INTRODUCED

The impression that, because of marine shipping difficulties, the Commonwealth of the Philippines would fall short by several hundred thousand tons of filling their 1941 quota had led to the introduction of legislation in both Houses of Congress early in 1941, which provided that, in the event of a Philippine deficit, the deficit be reallotted to domestic areas instead of to foreign countries other than Cuba, as existing law provided. However, later developments indicate that all but a small portion of the 1941 duty-free Philippine quota will be filled.

EFFECT OF PROGRAM ON INCOME OF DOMESTIC PRODUCERS

SUGAR-BEET GROWERS

It is anticipated that under the sugar program sugar-beet growers will receive an average of about $7.10 a ton of beets, including conditional payments, or approximately 100 percent of parity, for the record 1940 crop, compared with $6.70 a ton for the 1939 crop. These figures do not include the special conditional payments which the act authorizes in cases of acreage abandonment or crop deficiency due to drought, freeze, or other natural disaster. The total income of these growers was expected to be about $86,500,000 for the 1940 crop of 12,192,000 tons of beets, as compared with around $72,200,000 for the 1939 crop of 10,781,000 tons. Conditional payments included in these totals amounted to $22,700,000 and $20,900,000 for the 1940 and 1939 crops, respectively.

LOUISIANA GROWERS

The 1940 Louisiana crop of 2,925,000 tons of sugarcane brought growers a total income of about $10,600,000, or aproximately $3.62 a ton, not including abandonment and deficiency payments. Besides conditional payments of about $2,600,000 on sugar recovered from sugarcane harvested, growers' total income from the 1940 crop, which was severely damaged in quantity and quality by freeze, flood, and storm, will be further increased by approximately $750,000 in abandonment and deficiency payments. The total income of Louisiana growers from the 1939 crop of 5,069,000 tons was $19,600,000, or approximately $3.87 a ton, of which about $5,000,000 represented conditional payments.

FLORIDA GROWERS

About 83 percent of the Florida sugarcane crop is grown by one processor-producer. Growers who produced the remainder received a total income of approximately $4.60 a ton of cane, including conditional payments of $1.25 a ton. The income of these growers from the 1939 crop averaged $3.80 a ton.

HAWAIIAN AND PUERTO RICAN GROWERS

It was estimated that the total income of Puerto Rican growers from the 1940–41 crop of about 7,750,000 tons of sugarcane would be

approximately $44,300,000. The total return from the 1940 sugar crop in Hawaii, where 90 percent of the sugarcane is produced by processor-producers, was somewhat below that received for the previous crop. The income from the 1940 crop included approximately $8,850,000 in conditional payments.

INCOME OF PROCESSORS

For their last fiscal year, which ended December 31, 1940, or in early 1941, the stated net income of eight beet-sugar processors, covering 80 percent of the industry, averaged 8.53 percent of their reported capital and surplus, based on sugar sales from the 1939 and 1940 crops. Three Puerto Rican processor-producers, covering about 30 percent of the 1939–40 crop, reported net income for the fiscal period which ended in the summer of 1940 equal to 6.27 percent of their stated net worth. Twenty-five Hawaiian processor-producers, representing about 85 percent of the industry, earned a total net income, including Government payments, on the 1939 crop of 3.67 percent of their stated net worth for the 1939 calendar year.

The processor-producer in Florida, who produced about 94 percent of that State's 1940 crop of sugar, reported a 12.33 percent net return on stated net worth for the fiscal year ended June 30, 1941, while two corporations in Louisiana engaged in the combined operations of cane growing, raw-sugar production, and sugar refining stated their net income, for the 1940 crop period, as 1.80 percent of their average net worth.

QUOTA ADMINISTRATION

The initial 1941 estimate of consumer sugar requirements in the continental United States of 6,616,817 short tons, raw value, and the division of this total among the various sugar-producing areas supplying this market was announced December 7, 1940.

On March 19, 1941, after the Department had come into possession of complete data on stocks, distribution, and other factors for the calendar year 1940, which showed, among other things, that domestic sugar distribution that year had been the largest in more than a decade, the 1941 consumption estimate was increased to 6,851,889 short tons. Preliminary figures on sugar deliveries by cane-sugar refiners, beet-sugar processors, and importers in January and February 1941 had also indicated a substantial increase over such movements in the corresponding period of 1940.

NEAR RECORD DELIVERIES

When figures on sugar distribution for March became available, they showed that deliveries totaling 1,040,000 tons had been made in that month alone. These were the heaviest deliveries on record except for September 1939, the month in which the war in Europe started, and March 1937, when anticipation of a sugar processing tax had led to tremendous sugar purchases.

Statements to consumers were issued during March by the Sugar Division and the National Defense Advisory Commission, pointing out that 1941 sugar supplies would be ample to meet requirements of

consumers. The Bureau of Agricultural Economics later supported these statements by emphasizing that the 1941 season's production, together with relatively large carry-over stocks, "assures a total supply available to the United States well in excess of the current marketing quota and in excess of consumption during any year of the past. Besides this supply, there is in prospect well over a million tons of sugar available to the United States in other Western Hemisphere countries." It also pointed out that the world supply of sugar for the 1940–41 marketing year was the largest on record. Deliveries of sugar in April were only about half those of the preceding month.

On April 11, the duty-paying portion of 73,232 tons of the 1941 Philippine quota then in effect was reallotted, in accordance with the act, to foreign countries other than Cuba.

On May 6, the Sugar Division announced a return to the practice of permitting importers to bring sugar into the continental United States under bond for processing and export, without being required to turn over to customs' custody an equivalent quantity of quota sugar. It also announced that during the calendar year 1941 over-quota sugar could be released under bond by collectors of customs for refining and return to customs' custody within 30 days, or within any longer period that the Department might establish. These practices, after having been in effect since 1937, were suspended in the last 2 months of 1940 because of the heavy price-depressing supplies then available.

CONSUMPTION ESTIMATE INCREASED

On June 9, following receipt of full data on stocks, distribution or usage, and other factors for the first part of the year, the 1941 sugar-consumption estimate was again increased, this time to 7,125,561 tons. This increase made necessary another reallotment of the duty-paying Philippine deficit of 42,173 tons to foreign countries other than Cuba.

However, anxiety as to prospective supplies was being manifested, and, on June 21, the Department issued a statement on sugar policy, which read, in part, as follows:

> On June 9, 1941, an increase in the total quota supplies of sugar was announced by the Department. The quantity of 7,125,561 short tons of sugar established was deemed, on the basis of information then available to the Department, to be sufficient to meet actual consumption requirements for the calendar year 1941 and to provide reserve stocks equal to the average of prior years. However, investigations of the Sugar Division of the Agricultural Adjustment Administration, indicated that with the augmented industrial pace resulting from the national defense effort, buyers and consumers built up larger stocks of refined sugar than in previous years during the first three months of this year. Should this situation continue and if it becomes clear that for the duration of the emergency buyers and consumers wish to carry larger working stocks than in prior years, it will be the policy of the Department to increase quota supplies accordingly.

QUOTA ADJUSTMENTS

In accordance with this policy, the Secretary, on July 19, increased total 1941 sugar marketing quotas from 7,125,561 to 7,627,563 tons.

However, the necessity of tapping the sugar reserves in certain areas to offset deficits in other areas made necessary a further read-

justment in the 1941 quotas. On July 30, quotas were increased to 8,006,836 tons. It was announced at the time that this increase and the accompanying reallotment of deficits in the mainland cane and Hawaiian quotas and of the duty-paying portion of the Philippine quota would make available 7,769,621 tons, or about a million more than the 6,736,000 tons of sugar actually consumed in 1940. This quantity of sugar, it was felt, would take care of increased consumption and of increased working stocks for refiners, wholesalers, retailers, and housewives.

On August 29, in order further to tap available sugar reserves in certain areas, the 1941 quotas were increased for the fifth time, going to 9,002,976 tons. This action was also accompanied by reallotments of mainland cane, Hawaiian, and Philippine quota deficits.

On September 24, in accordance with the Sugar Act of 1937, the portion of the 1941 quotas for foreign countries other than Cuba, which were in effect on July 1 and which were unfilled on September 1, was reallotted to Peru, Haiti, and the Dominican Republic, since these three countries had met their July 1 quotas.

MARKETING ALLOTMENTS

Since total 1941 sugar supplies in the continental beet area, mainland cane area, and Puerto Rico were expected to be substantially greater than the area marketing quotas for the year, the allotment of the quotas for these areas was again necessary in order to assure all processors a fair opportunity to market sugar and to prevent disorderly marketing. At the time these allotments became effective, the beet area's quota was 1,589,100 tons, that of the mainland cane area 430,794 tons, and that of Puerto Rico 818,166 tons. However, when the quotas of the last two of these areas were increased to 503,408 and 956,075 tons, respectively, on July 30, 1941, and that of the beet area was raised to 2,230,037 tons on August 29, processor marketing allotments were no longer deemed necessary and were rescinded accordingly by the Secretary.

Marketing allotments covering the 126,033 tons of their total sugar quota for continental United States, which Puerto Rican processors may market for direct consumption, remained in effect. Puerto Rico is limited to this figure by the Sugar Act of 1937.

ADMINISTRATION OF CONDITIONAL-PAYMENT PROGRAMS

The conditional payments authorized by the Sugar Act of 1937 are made to growers who comply with the "proportionate shares" or acreage allotments for their farms, pay fair wages to field laborers, refrain from employing child labor, and carry out soil-conserving practices. Growers who are also processors and who wish to receive these payments likewise are required to pay fair prices for cane or beets bought from other growers. Public hearings and investigations precede the establishment by the Secretary of fair wages for field laborers and fair prices for cane and beets.

PROPORTIONATE SHARES FOR GROWERS

CONTINENTAL BEET AREA

Excessive stocks of beet sugar, following 3 years of record production, made necessary in 1941 the first acreage reduction in the continental beet area as a whole since the sugar quota system began in 1934. The Sugar Act specifically prevents payments to growers on more sugar than is needed to enable their area to fill its marketing quota and provide a normal carry-over inventory. On January 1, 1941, the effective inventory of beet sugar totaled more than 1,750,000 short tons, raw value, as compared with 1,415,000 tons on January 1 of the preceding year, and with approximately a million tons in earlier years. The initial 1941 marketing quota for the beet area was 1,549,898 tons.

The 820,000 acres for distribution in the beet area in 1941 represented a reduction of 16.2 percent from the 1940 acreage, and, in order to distribute this acreage equitably, officials of the Sugar Division first sought the views of growers and processors at a series of public meetings in the various parts of the beet area.

The formula used to divide the total national beet acreage among the various sugar-beet-growing districts was substantially the same as that employed in 1939, the only other year under sugar-control legislation in which restrictive acreage allotments to beet growers were required, although the total beet acreage distributed that year did not represent any reduction. In accordance with the provisions of the Sugar Act, the formula gave consideration to the factors "past production" and "ability to produce." "Past production" for each district was measured in terms of its largest average planted acreage for any consecutive period, varying from 3 to 10 years and ending with 1940, and "ability to produce" by its largest planted acreage in any one of 3 years, 1938, 1939, 1940. The two factors were given equal weight in the formula.

A slight adjustment from the results of the application of the formula was made to prevent a few districts, with exceptionally consistent records of sugar-beet plantings, from having to sustain reductions greater than the national average for each of the three periods mentioned.

In 1939, acreage allocations had been made by beet-sugar factory districts without reference to State boundaries. With a view to improving the coordination between the sugar program and the agricultural conservation program, the 1941 allocations, in the greater part of the continental beet area, were made by districts consisting of one or more counties within each State.

The division of district allocations among individual farms in 1941 was made by local acreage-allotment committees selected by State agricultural conservation committees.

Because of the very great increase in the demand for sugar, and because of shipping and other uncertainties due to the defense program, the Secretary announced on September 8, 1941, that sugar-beet and sugarcane acreage restrictions would probably be unnecessary in 1942. Under these circumstances it was deemed undesirable to require growers either to destroy or to feed to livestock the sugar beets produced in 1941 on acreage in excess of the allotments previously

established. Consequently, on October 2, it was announced that growers would be permitted to market sugar beets in excess of such allotments without being disqualified for conditional payments. It was provided, however, that growers should not receive payments on the excess acreage.

The acreage actually planted to beets in 1941 was about 775,000 acres, and it was expected that this acreage would yield a crop of about 1,600,000 tons of sugar. The beet industry exceeded such a production level in only one year prior to the operation of the sugar-quota system.

MAINLAND CANE AREA

On September 7, 1940, proportionate shares or acreage allotments to Louisiana and Florida sugarcane growers were announced tentatively because many growers wished to plan their 1941 sugarcane plantings so as to be certain to qualify for conditional payments if the Sugar Act of 1937 was extended to cover the 1941 crop. The extension of the act was approved on October 15, 1940, and the formal determination of proportionate shares for farms in the mainland cane-sugar area was issued on November 29, 1940.

The 1941 proportionate shares were based on estimated quota and normal carry-over requirements of approximately 500,000 tons of sugar, and they made available to growers about 300,000 acres of sugarcane, including cane for seed. In 1940, 285,000 acres of sugarcane had been harvested in Louisiana and Florida in the production of 336,000 tons of sugar. This included production in excess of 1940 proportionate shares, which was permitted, with certain payment deductions, under Public Resolution No. 104, 76th Congress, approved October 10, 1940.

The 1941 proportionate-share determination reinstated the relationship between growers which existed under the 1938 determination. This relationship had always been considered fair by all parties concerned, but it was altered somewhat in 1939 and 1940 when acreage adjustments were necessary on the part of all but growers with family-sized farms. New growers and small growers in 1941, as in previous years, were entitled to a minimum proportionate share of 5 acres and could qualify for not more than 10 acres, depending on the acreage on the farm suitable for sugarcane. In 1941, tenants and sharecroppers were again protected by a provision preventing changes in leasing and cropping agreements for the purpose of diverting to landowners any payment formerly made to tenants or sharecroppers.

On October 2, the 1941 proportionate-share determination was revised to permit the marketing of excess-acreage sugarcane for sugar without disqualifying growers for conditional payments, although it was provided that no payments would be made on such excess acreage. The reasons for this action have already been given in the section dealing with sugar-beet allotments.

The 1940 crop in Louisiana was well below normal as the result of freezing weather, floods, and storms. The 1941 crop in that State was also below normal.

HAWAII

In view of the fact that the quantity of sugar produced in Hawaii since the sugar quota system has been in effect has not been in excess of

that needed to fill the Territory's local and United States consumption quota and establish normal reserves, proportionate shares or allotments each year have been the individual producer's actual production.

PUERTO RICO

The 1940–41 proportionate shares for established growers in Puerto Rico were, as in previous years, in terms of sugar and were determined by adjusting their 1939–40 proportionate shares to the consumption requirements for Puerto Rico and continental United States, plus normal reserves during the 1941 calendar year.

New growers in 1940–41 were limited to those on land purchased or leased under the programs of the Puerto Rico Reconstruction Administration or the Farm Security Administration. Such growers were permitted to qualify for up to 3 acres of sugarcane for harvest in 1941.

MINIMUM WAGES

During the year there were issued six determinations establishing minimum wages for beet and cane field workers in the various domestic areas.

Two of the determinations concerned the continental sugar-beet area, the first one issued being applicable to California, where the season starts early, and the second one covering all other beet States.

Both of these determinations continued in 1941 the basic wage rates established for the 1940 crop for persons employed in the production, cultivation, or harvesting of beets. However, in 1940 the California piece rate for harvesting operations remained unchanged after sugar-beet yields reached 20 tons an acre, while the 1941 rate provided for a 1-cent-a-ton reduction for each additional ton between 21 and 25 tons, after which no further reductions were made. Another change from the 1940 determination for California provided that a producer and laborer could agree in writing that the laborer was to receive the sum of the piece-rate payments specified for blocking and thinning and the first and second hoeings, for all such work prior to harvest regardless of the number of hoeings actually required.

The 1941 wage determination for the other beet States made only two changes from that issued in 1940. One of these changes was to include Kansas, which was formerly a separate district, in the district comprising Colorado, Nebraska, South Dakota, and southern Wyoming. The effect of this change was to increase the rate for each hoeing in Kansas by 50 cents an acre. The second change was to provide hourly as well as piece rates for the districts comprising Ohio, Michigan, Indiana, Wisconsin, Colorado, Nebraska, South Dakota, southern Wyoming, and Kansas.

In the mainland sugarcane area, comprising Louisiana and Florida, there were issued two determinations, one covering the harvesting of the 1940 crop of sugarcane between September 1, 1940, and June 30, 1941, and the second providing the rates for the production and cultivation of cane during 1941. The harvesting-wage determination did not change the rates established for the harvesting of the 1940 crop in Florida. In the case of Louisiana, although the daily harvesting wages and the piece rates for small-barrel green cane were the same as in the previous year, somewhat lower rates were

established for cutting and loading large-barrel green cane. Rates for cutting small- and large-barrel burnt cane in Louisiana also were provided. The establishment of differential rates for several types of cane in Louisiana was in keeping with the practice that had been followed in Florida. No change from 1940 was made in the minimum wages to be paid laborers in the production and cultivation of sugarcane in this area in 1941.

The 1941 Hawaiian wage determination established for the first time in the Territory wage rates for workers between the ages of 14 and 16 and for semiskilled machine operators. It was again provided that the annual average payment to all workers taken as a group was not to be less than $2 and $1.50 a working day of 8 hours for harvesting and nonharvesting operations, respectively. The 1940 determination also provided that each individual worker was to be paid an average of not less than $1.40 a day for each pay period of not more than 1 month. This rate was continued in the 1941 determination but was restricted to nonharvesting operations. For harvesting operations a new average rate of not less than $1.60 was established.

The 1941 Puerto Rican wage determination established the same rates as were in effect in 1940 and again provided for a bonus system which was to become effective during the first 6 months of the year when the price of raw sugar reached 3 cents a pound. Inasmuch as this price was above that level during most of this period, the bonus provision was operative. The rates established in the determination correspond with the terms of the collective agreement between the Association of Sugar Producers of Puerto Rico and the Free Federation of Working Men of Puerto Rico.

FARMING PRACTICES

The soil-conserving and soil-improving practices established under the 1941 sugar program for growers in the various domestic sugar-producing areas who wish to receive Federal sugar payments were substantially the same as those for the 1940 program.

In the continental beet area the practices included the seeding or maintenance of legumes or grasses, the plowing under of green-manure crops, and the application of animal or chemical fertilizers to the soil.

Several relatively minor changes were made for the 1941 California beet crop. One of these enabled growers who wished to qualify their crop by the application of lime, barnyard manure, and leguminous crop residues to land on which sugar beets were to be planted, to do so in the late summer and early fall of 1940, rather than at a later period. This was done by permitting the crop year to be considered as a 12-month period beginning 120, instead of 100 days prior to the normal planting for the community. In many instances growers do not plant their beets until late winter or early spring. Another change permitted the application of gypsum or its sulfur equivalent as a soil-conserving practice. In certain areas in California, the application of gypsum expedites water penetration by improving the soil structure, and, in other areas, where a deficiency of sulfur exists, it corrects the deficiency of this plant-food element.

The practices for the mainland cane area were the same as in 1940. They provided that any grower who wished to qualify for a Federal conditional payment was required to have an acreage of the designated practices equal to at least 30 percent of his acreage in sugarcane, and the practices were to be carried out on land adapted to sugarcane production. The approved practices consisted chiefly of seeding or turning under legumes or other crops beneficial to the soil.

The farming practices to be met by Hawaiian sugarcane producers who wished to receive Government payments on the 1941 crop were the same as those for 1940, with one exception. The minimum amount of plant food in chemical fertilizer required to be applied per acre of sugarcane land was reduced from 150 to 125 pounds because experiments had indicated that good farming practices did not require fertilizer applications as large as were customary in the past. As in 1940, it was required that the acreage fertilized be at least as large as the acreage on the farm on which sugarcane was planted, or a stubble crop of sugarcane started, at any time in 1941.

In Puerto Rico growers were required to apply chemical fertilizer in varying amounts to farms with more than 10 acres of sugarcane. In the case of farms with 10 acres or less of cane, growers instead were permitted to apply the tops and trash cut from sugarcane harvested or to carry out any of the soil-building practices specified in the 1941 Agricultural Conservation Program bulletin for Puerto Rico.

GROWER-PROCESSOR RELATIONS

Processor-producers who grow a substantial portion of all domestic sugarcane receive relatively large conditional payments under the Sugar Act if they comply with the several requirements set forth therein. Consequently, the terms of the fair-price determinations, which embody one of the requirements to be met by processor-producers if they are to qualify for conditional payments, become the general basis for the purchase of sugarcane. This is to a lesser degree true in the sugar-beet area since sugar-beet processors produce only a negligible portion of the beets processed by them and in consequence receive less than 1 percent of the conditional payments made in that area.

The determination of fair and reasonable prices for the 1940 and 1941 crops of sugar beets was made following public hearings and after a tentative determination for the 1940 crop had been submitted to interested parties. Growers and processors submitted memoranda setting forth their views on the tentative determination.

With respect to the 1940 crop of sugar beets the determination in effect approved final contracts used in many areas since the terms of these agreements had in many cases been brought into conformity with the tentative recommendations previously issued by the Department. The rates to be paid growers under these revised 1940 contracts represented an increase over those established in the previous contracts. The schedule of rates provided for in the determination, in addition to certain general increases, eliminated the clause contained in many contracts under which provision was made for an accelerated rate of reduction in payment per ton of sugar beets to growers when net proceeds from the sale of sugar fell below $3.25 per hundredweight. Moreover, the determination provided that in

calculating the average net return realized from the sale of sugar, which is used by a processor as a basis for settlement with growers served by him, the net proceeds realized by other processors in the same area could not be included.

The basic minimum rates to be paid growers for the 1941 crop of Louisiana sugarcane were the same as those established in 1940. However, in view of the substantial increase in the price of blackstrap molasses growing out of the increased demand for alcohol for defense purposes, provision was made for growers to share equally with processors in any income from molasses in excess of 8 cents per gallon on a recovery of 6½ gallons per ton of cane. It was expected that this modification, coupled with the rise in the price of sugar, would increase grower income by more than $1 per ton of sugarcane over that from the 1940 crop.

Settlement for the 1941 crop of Louisiana sugarcane is to be made on the basis of the price of raw sugar during the week in which the sugarcane is delivered, or on the basis of the simple average of the weekly quotations for raw sugar during the period October 17 to April 2, whichever is agreed upon by the processor and producer, and upon the value of molasses during the period ending April 2, 1942.

The fair-price determination for the 1940–41 crop of Puerto Rican sugarcane maintained the continuity of the grower-processor relationship established in previous determinations and was identical with the 1939–40 determination except for minor changes deemed necessary to recognize (1) increased ocean-freight charges; (2) the addition to the program of a number of new and small growers whose proportionate shares were stated in terms of acres, and (3) the desirability of general supervision of charges made by processor-producers for services rendered to independent producers.

The 1940–41 determination required processors to pay growers an amount for each ton of cane equal to not less than 63 percent of the f. o. b. mill value of the sugar recovered from the cane delivered or the amount which would have been paid under the contract employed in the previous year, whichever figure was larger. The determination stipulated that the f. o. b. mill value to be used for settlement purposes be arrived at by deducting from the New York price not more than the smaller of (1) the average shipping and selling expenses per pound of sugar incurred in 1940 plus the excess of the average ocean freight expense incurred in 1941 over that incurred in 1940 or (2) one-fourth of a cent per pound of sugar plus the excess of the average ocean freight expense incurred in 1941 over that incurred in the previous year.

On April 14, 1941, the Legislature of Puerto Rico enacted legislation amending the existing local law governing the grower-processor relationship in the area. The amendments, which represent a significant change in the terms and conditions of the regulation exercised by Puerto Rican authorities over the grower-processor relationship, will be applicable to the 1941–42 crop.

The fair-price determination for the 1941 crop of Hawaiian sugarcane also maintained the continuity of the grower-processor relationship established in Hawaii under previous determinations and is similar to those in that prices agreed upon for the 1941 crop of Hawaiian sugarcane by the several processors and producers were recognized as fair and reasonable.

U. S. GOVERNMENT PRINTING OFFICE: 1942

WAR FOOD ADMINISTRATION

Food Distribution Administration

REPORT OF THE CHIEF OF THE SUGAR BRANCH, 1943

THE SUGAR PROGRAM

Sugar was on the ration list during the entire 1943 fiscal year. Shipments to our allies were very large, and stocks of sugar in the hands of primary distributors in the United States were about 500,000 tons (raw value) below normal at the beginning of the fiscal year. Stocks held by industrial, institutional, and household users, however, were believed to be at a much higher level than usual following the record distribution of sugar in 1941.

An important step to assure adequate supplies was taken early in 1943 when the 1943 Cuban sugar crop, totaling 3,225,000 tons, was purchased almost in its entirety by the United States Government. Later in the year the 1943 Puerto Rican crop was bought by the Commodity Credit Corporation, as were the Dominican and Haitian crops for 1943 and 1944.

Arrivals of sugar from offshore areas during 1942 were substantially below normal, particularly during the second half of the year, because of submarine sinkings in the Caribbean and in United States coastal waters. Submarine warfare made it necessary to shorten as much as possible the ocean run between Caribbean sugar ports and the mainland. A so-called shuttle service between Habana and Florida ports was developed, through which small watercraft, such as barges and sailing vessels, brought raw sugar to various Florida ports. From Florida the sugar was shipped to northern refineries, the added freight costs being borne at first by the Defense Supplies Corporation and later by the Commodity Credit Corporation.

Curtailment in sugar receipts to the East meant an increasingly heavy movement of beet sugar to this area, the freight costs being absorbed by the Defense Supplies Corporation and the Commodity Credit Corporation. The very large crop of beet sugar harvested in the autumn of 1942 helped greatly to offset the decline in receipts of offshore sugars.

During the fiscal year the retail price of sugar remained virtually stationary, the national average being about 6.9 cents per pound. Since our entry into the war, the retail price of sugar for the country as a whole has averaged 6.8 cents per pound, compared with 9.7 cents during the last war (April 1917 to November 1918).

1943 SUGAR-BEET PRICE-SUPPORT PROGRAM

A record of 1,050,000 acres was planted to sugar beets in this country in 1942, and the sugar crop produced on this acreage, totaling 1,725,000 tons, was among the largest in our history. This was the first crop planted and harvested following our entry into the war.

When 1943 food production goals were announced in the fall of 1942, the sugar-beet-acreage goal was established at 1,050,000 acres, or the same acreage as that planted in 1942. Formal negotiations on measures to maintain 1943 sugar-beet production were initiated by the FDA in December 1942 with representatives of the beet-sugar industry. After various conferences between department officials and a committee representing the industry, Secretary Wickard on February 10 announced a program designed to assist sugar-beet growers.

The program, which was implemented by contracts between Commodity Credit Corporation and sugar-beet processors, provided that, without raising sugar ceiling prices, growers would receive for their 1943 crop an increase of $1.50 per ton of sugar beets of average quality over the price called for under 1942 crop contracts. This meant a total of $11.00 per ton—the highest price in more than 20 years and about 120 percent of parity. The agreement with the Government protects both processors and producers against market declines during the entire 1943 beet sugar marketing season, which runs until the end of September 1944, and against abnormal transportation costs due to war movement of beet sugar to areas where it is not normally used. This method of assuring increased returns to beet growers was followed in order to disturb as little as possible the usual relationships between growers and processors.

But because of uncertainty over the labor situation, competition with other crops, discouragement due to difficulties in harvesting the 1942 crop, unfavorable weather at planting time, and the feeling on the part of some growers that the price offered for beets was too low, the acreage planted to sugar beets in 1943 was the smallest in years.

A price-support program for the 1943 Louisiana crop was announced later in 1943. This program provided for an increase of 33 cents per ton of sugarcane and thus made it possible for growers in that State to pay the wages necessary in order to enable harvesting of the 1943 crop.

STIMULATION OF INSULAR FOOD PRODUCTION

The farming practice requirement, which is one of the payment conditions under the sugar program authorized by the Sugar Act of 1937, served in 1943 to encourage food production in Puerto Rico, Hawaii, and the Virgin Islands, thus lessening the dependence of these areas on foodstuffs from the mainland. Puerto Rican growers who wished to receive payments under the sugar program were required to plant an acreage equal to 20 percent (as compared with 7 percent in 1942) of their land on which sugarcane was growing on January 31, 1943, to soil-conserving food crops, of which only 50 percent (as compared with 80 percent in 1942) had to be leguminous crops. In the Virgin Islands the requirement was increased from 7 to 10 percent and the leguminous-crop requirement was dropped from 80 to 60 percent.

In Hawaii, the farming-practice determination for the first time included a provision requiring the planting of food crops on an acreage equal to one-tenth of an acre for each adult male laborer employed on the farm in the production of sugarcane on January 1, 1943. It is estimated that this change resulted in the planting of some 3,000 acres of food crops. In addition, Hawaiian sugar planters were required to apply not less than 100 pounds of plant food per acre of sugarcane land. Because of the difficulty they were experiencing in obtaining this fertilizer as a result of the war, the former plant-food requirement per acre of the greater quantity of 100 pounds, or 60 percent of the average application in 1940 or 1941 (whichever was smaller), was revised so as to eliminate the second alternative.

The farming practices for the continental beet area in 1943 were, with the exception of California, the same as in 1942, and the same was true in the mainland cane area. The changes made in the farming-practice requirement for California were effected to meet local conditions.

FOOD ORDERS ON SUGAR AND MOLASSES

In January 1943 administration of raw-sugar conservation and distribution was transferred from the War Production Board to the Food Distribution Administration. The first of these orders, FDO No. 7, which controls the distribution of raw sugar, superseded WPB's General Preference Order M–98, issued in February 1942. Under FDO No. 7, purchases, importations, or acceptances of deliveries of raw sugar are limited to refiners and to governmental agencies. The second of the orders, FDO No. 7.1, superseding WPB's supplementary Order No. M–98–a, establishes raw-sugar allotments for refiners in the United States and provides that refiners may not purchase, import, or accept deliveries of raw sugar in excess of allotments which may be established for them from time to time.

In April 1943 FDO No. 51 was issued, providing for restrictions on deliveries and usage of edible molasses. This order took the place of WPB's General Preference Order M–54 insofar as it applied to edible molasses. Under the order, deliveries of edible molasses from primary sources, such as cane-sugar refiners, the raw-sugar mills of Louisiana, and the sirup mills of the South, are limited to persons engaged in blending or packaging the product and to certain food manufacturers who used edible molasses during the year ended June 30, 1941, unless special authorization is granted by the Director of Food Distribution. This order does not restrict the operations of distributors who purchase for resale. Persons authorized to accept deliveries are limited in both receipts and usage of edible molasses to the quantities used by them during the year ended June 30, 1941.

In May 1943, Food Directive No. 8 was issued, delegating to the Office of Price Administration the authority to ration sugar used in the manufacture of imported products or in the manufacture of any ingredient of such products. This authority was requested by the OPA to plug up some loopholes in the sugar-rationing program. Some manufacturers were in position to supplement their ration through the importation of flavoring sirups containing a high percentage of sugar.

MINIMUM WAGES IN DOMESTIC AREAS INCREASED

The minimum wages for field laborers were increased during 1943 in all the domestic sugar-producing areas to give effect to the ratio of income distribution between grower and laborer which prevailed during the pre-war period. In the sugar-beet area, 1943 field wages were increased about $6.60 per acre. Wage rates for nonharvesting operations in the mainland sugarcane area of Louisiana and Florida for the calendar year 1943 were increased by about 16 percent above the wages established for 1942. Minimum harvesting wage rates established for the 1942 Louisiana crop were about 12 percent higher than those for the 1941 crop, and those for Florida were between 8 and 12 percent higher.

In Puerto Rico, basic wages were lifted 20 cents per 8-hour day for nonharvesting operations during the period July 1 to December 31, 1943. In the first part of the year growers were paying wages approximately 13 percent higher than were required in 1942 and consequently no additional increase was made for this period.

An increase in the basic wage rates for field workers in Hawaii was made possible through the relaxing of martial law which was in effect

in 1942. However, since there had been a voluntary increase of 10 percent in wages over those required in 1942, no further increase was made for the first half of 1943. The minimum wages for workers per pay period were adjusted upward by 15 percent over the previously existing level for all work performed during the last 6 months, and in addition to the higher basic wages the bonus rate based on sugar prices was increased.

PRIORITY AID TO DOMESTIC SUGAR INDUSTRY

During the fiscal year, the sugar industry in continental United States, Hawaii, and Puerto Rico was helped in obtaining critical materials for maintenance and repair of plants, special machinery, and other equipment, together with replacement parts, and for containers, in order to maintain maximum sugar production and efficient distribution. Under this program the needs of the sugar industry by quarterly periods for a year ahead are programmed, justified, and the allocations requested.

FAIR-PRICE DETERMINATIONS ISSUED

Fair-price determinations issued during the year covered the 1942 sugarcane crops in Louisiana and Florida, the 1942 and 1943 crops in the continental beet area, the 1942–43 Puerto Rican sugarcane crop, and the 1942 Virgin Islands sugarcane crop. These determinations establish the prices which producers, who are also processors, must pay for cane or beets bought by them from other growers in order to qualify for payments under the sugar program. The Puerto Rican determination was modified by omission of the molasses bonus previously provided for and a slight broadening of the expenses deductible in calculating the mill value of raw sugar. At the same time the 1943 fair-price determination for the beet-sugar-producing area provided in effect that the grower receive the first 50 cents per hundredweight of sugar above the level of proceeds of the previous year, since the Government recoups the support payment, all of which accrues to the grower, before sharing between processor and producer is resumed.

Conditional gross payments to sugar producers, under the Sugar Act of 1937, 1942 program [1]

Sugar-beet States:	*Dollars*	Sugar-beet States—Continued.	*Dollars*
California	6, 318, 124	Wisconsin	423, 415
Colorado	5, 468, 482	Wyoming	1, 230, 913
Idaho	2, 861, 035		
Illinois	81, 248	Total	29, 813, 168
Indiana	237, 778		
Iowa	103, 411	Sugarcane States:	
Kansas	176, 251	Florida	709, 392
Michigan	2, 780, 746	Louisiana	6, 200, 000
Minnesota	870, 059		
Montana	2, 487, 706	Total	6, 909, 392
Nebraska	2, 242, 916		
New Mexico	6, 538	Sugarcane insular region:	
North Dakota	422, 001	Hawaii	8, 147, 494
Ohio	1, 290, 648	Puerto Rico [2]	13, 020, 000
Oregon	511, 134	Virgin Islands	26, 000
South Dakota	187, 365		
Texas	4, 412	Total	21, 193, 494
Utah	1, 452, 849		
Washington	656, 137	Grand total	57, 916, 054

[1] Includes acreage-abandonment and crop-deficiency payments.
[2] Estimated.

U. S. GOVERNMENT PRINTING OFFICE: 1944

WAR FOOD ADMINISTRATION

Office of Distribution

REPORT OF THE CHIEF OF THE SUGAR BRANCH, 1944

THE SUGAR PROGRAM

The chief wartime problem of the domestic sugar-producing areas is to prevent or minimize the decline in production resulting from shortages of manpower and materials. This problem has been accentuated by price control, which in the case of sugar, has been particularly effective and this control has necessitated alternative forms of income for producers. In working out the various wartime programs designed to provide sugar growers with this additional income, it was necessary to correlate the activities relating to fair price and wage determinations under the Sugar Act of 1937 with the subsidy and labor recruitment programs. In some areas these support programs could not have been made completely effective without the authority contained in the act.

Legislation extending the Sugar Act of 1937 for another 2 years without change was passed and approved in June 1944. The War Food Administration report to the congressional committees on the subject pointed out:

> The authority given to this Administration under the act, supplemented by the wartime powers of the Federal Government, permitted rapid action to be taken to prevent runaway sugar prices, to maintain income for most domestic sugar producers at income parity levels or better, and to allocate curtailed supplies on an equitable basis.
>
> It is therefore believed that this legislation, together with the predecessor legislation (the Jones-Costigan Act), were not only effective instruments in meeting the problems of the industry during the pre-war period 1934–40, but also now provide part of the requisite machinery and authority needed under wartime conditions.
>
> The Administration's views on certain desirable changes in the sugar quota provisions of the act have been repeatedly stated to the committee on former occasions and need not be repeated at this time. However, since current uncertainties preclude satisfactory consideration of amendments to the act at this time and the quota provisions have been in suspense since April 13, 1942, under presidential proclamation, enactment of H. R. 4833 without amendment is recommended . . . .

FAIR PRICE DETERMINATIONS ISSUED

The "fair and reasonable price" condition of payment under the Sugar Act of 1937 applies solely to producer-processors of sugar beets or sugarcane who buy beets or cane from other growers. This condition requires them to pay for the purchased cane or beets not less than the prices deemed "fair and reasonable" by the War Food Administrator after public hearing and investigation. Public hearings were held in all domestic areas during the year, and the fair price determinations covered the 1943 crop in Louisiana, Florida, and

is followed extensively in that area as a means of eradicating weeds, conserving soil moisture, and concentrating soil fertility.

In the mainland cane area the only change was the addition of a ditching practice recommended by Louisiana officials of the Agricultural Adjustment Agency in order to insure proper drainage. Under this practice the removal of 25 cubic yards of earth in the construction, enlargement, or clearing out of lateral ditches and lead canals was counted as 1 acre of conservation practices.

The food-planting requirement in the 1943 Hawaiian farming-practice determination was discontinued for 1944 in order to insure maximum sugar production at a time when there was little danger that Hawaii might be cut off from the mainland. Consequently, Hawaiian sugar producers in 1944 were required to apply a minimum of 100 pounds of plant food per acre of sugarcane to not less than 80 percent of acreage on which sugarcane was planted—or a ratoon crop of cane started—at any time in 1944.

When the original Puerto Rican farming-practice determination for the 1944–45 crop was issued on December 29, 1943, it required sugarcane growers not only to apply commercial fertilizer to their cane land in amounts consistent with the fertilizer rationing program of the island, but also to plant food crops for human consumption on an area equal to 10 percent of their sugarcane acreage. The purpose of the latter requirement was the stimulation of foodstuffs production in Puerto Rico, which was dependent on the mainland for much of its food. The submarine campaign of 1942–43 had seriously threatened the Puerto Rican food supply, with the result that the 1943 program authorized by the Sugar Act encouraged expanded food production in the island, as well as in Hawaii and the Virgin Islands.

The original 1944–45 farming-practice determination had to be revised, however, because a serious drought in Puerto Rico in 1944 made it extremely difficult for growers and farmers successfully to grow and harvest the required food crops before the heavy rains began. Furthermore, a substantial improvement in the shipping situation which resulted in increased arrivals of food in the island reduced the need for these crops. The determination was accordingly revised to eliminate the food-crop requirement.

SPECIAL WARTIME ACTIVITIES

Under Executive Orders Nos. 9280 and 9334, the Office of Distribution handled the allocation of raw sugar, the conservation and distribution of edible molasses, and the programming and justification of the sugar industry's needs for processing equipment. Three food orders relating to sugar were administered during the year. WFO 7 and WFO 7.1 controlled the distribution of raw cane sugar to refiners in the continental United States, and WFO 51 provided for restrictions on deliveries of edible molasses.

On June 15, 1944, WFO 7.1 was amended, chiefly as a result of increased raw-sugar arrivals from offshore areas, to provide for increased raw-sugar allotments to refiners. The operation of the raw-sugar allocation orders, as well as other problems of cane-sugar refiners, was discussed at various meetings of the Cane Sugar Refining Industry Food Advisory Committee of the WFA.

Prior to April 27, 1943, the distribution of edible molasses and sirup was regulated by War Production Order M–54, as part of an over-all conservation of molasses for the alcohol program. Following the establishment of the Food Distribution Administration (now Office of Distribution) on December 5, 1942, the regulation of all edible products under M–54 was transferred to that agency by Food Distribution Order 51 (subsequently designated as War Food Order 51).

As stated in the preamble, the purpose of the order is "to assure an adequate supply and efficient distribution of edible molasses to meet war and essential civilian needs." Quotas for blenders and food manufacturers were increased from 100 to 110 percent of their usage during the year ended June 30, 1941. The production of sirup and edible molasses is flexible, i. e., output can be increased at the expense of sugar and blackstrap, chiefly the latter. The effect of the increase in quotas, therefore, coupled with ceiling prices which were advantageous as compared with sugar prices, resulted in a marked increase in production of all types of sirup during the 1943–44 marketing year.

At the same time, steps were taken to relax the restrictions on the importation of high-grade molasses from the British West Indies and on edible invert molasses from Cuba. The net result of these measures was to increase the supply to the approximate level of a controlled distribution demand.

Distribution is controlled by restricting the quantity that any person may receive or use to 110 percent of the quantity used during the year ended June 30, 1941. Exemptions are made in the case of deliveries to certain Government agencies and for lend-lease. Specific authorizations for use in addition to or outside the established quotas have been made when warranted by special circumstances. For example, certain industrial concerns, unable to obtain their basic raw materials (other than sugar), have turned to molasses as a substitute and bakers in war production or war training areas have found their basic quotas wholly inadequate. The diversion of cane sirup from legitimate channels to the illicit manufacture of beverage alcohol created a problem.

Commercial usage of sirup and edible molasses by reporting blenders and food manufacturers during the calendar year 1943 amounted to 29,312,000 gallons distributed as follows: Refiners' sirup, 9,581,466 gallons; sirup of cane juice, 5,447,622 gallons; first and second molasses, 8,451,920 gallons; edible blackstrap, 5,831,178 gallons. Stocks of all types except blackstrap held by producers, distributors, and commercial users increased from 13,455,494 to 15,455,623 gallons during the year, an increase of 2,000,129 gallons.

During the fiscal year the sugar industry, continental and insular, was assisted in obtaining the processing equipment it needed to function efficiently and at the highest possible production level. Investigations disclosed that the industry would need in 1944 between 200 and 300 items, such as centrifugals, filters, clarifiers, minglers, granulators, evaporators, crystalizers, beet-knife sharpeners, and juice heaters. Hence the War Production Board was asked to allocate 1,581 tons of steel and 150 tons of other controlled materials, such as copper, brass, and aluminum, for the manufacture of these items of processing

equipment. More than 200 priority applications covering processing equipment and other industry requirements were reviewed.

With the Commodity Credit Corporation, the OD developed a plan for saving surplus potatoes by drying them in a number of beet-sugar factories during the idle season. As a result, about 9½ million bushels of potatoes were processed primarily for animal food.

The need for sugar-beet molasses in the production of yeast and citric acid was greater than the prospective supply. This led to the issuance of an amendment to War Production Board Order M–54, under which the desugarization of beet molasses was limited to 40 percent of the quantity desugarized in the base period 1940 crop campaign. The result was the production of an estimated 25,000 tons less sugar than under normal operating conditions.

Moreover, the sale of molasses at the maximum prices initially set would have resulted in a return per ton on beet molasses of considerably less than its value in terms of recoverable sugar. Following discussions between representatives of WPB, the Office of Price Administration, and WFA, relief was given to the processors through an increase in the price of molasses.

The detailed figures on domestic sugar production, processing, meltings, and distribution of the stocks gathered under authority of the Sugar Act of 1937 continued to furnish the statistical basis for the sugar-rationing program of the OPA, for sugar allocations by WFA among the various Federal agencies which are claimants for domestic or foreign account, and for use in administering other phases of the sugar program.

In January, an international allocation was recommended to the Combined Food Board under which, as later slightly revised to fit changing conditions, the United Kingdom and Canada were allocated the exportable production of the British West Indies, the Dominican Republic, Haiti, and about 300,000 tons from Cuba. The United States received the balance of the exportable production of Cuba and all of the production of Puerto Rico other than that required for local use. The United States assumed supply responsibility for certain populations and the United Kingdom for others.

SUPPLIES AND DISTRIBUTION OF SUGAR

The great improvement in the ocean transportation situation in the Caribbean area during the year made it possible to increase sugar allowances to American consumers. In August 1943 the sugar ration of manufacturers of bread, candy, soft drinks, ice cream, condensed milk, fruit preserves, and other food products was increased from 70 percent of their 1941 sugar usage base, at which level they had operated during the first 7 months of the year, to 80 percent, and soon afterward OPA granted special additional allotments to fruit preservers and manufacturers of cereal products in which the ratio of sugar to flour was low. Manufacturers of drugs and medicines also received increased sugar rations.

The special allotment to manufacturers of jams, jellies, marmalades, and fruit butter was made to increase the 1943–44 supplies of alternate bread spreads for domestic consumption in the face of smaller butter supplies. In October 1943 the basic sugar rationing for all industrial

users was increased by the OPA for the last 2 months of the calendar year to 90 percent of their base.

These important relaxations in the sugar rationing program, plus other minor ones, were reflected in a substantial increase in sugar distribution during the last 6 months of 1943, when deliveries by primary distributors for consumption in the continental United States totaled 3,496,405 short tons, raw value, compared with 2,843,663 tons in the January–June 1943 period, and with 2,991,947 tons in the last half of 1942, the year when sugar rationing began.

Although receipts of sugar from offshore areas in the last 6 months of 1943 were at a higher level than in the first half of the year, the supply outlook for 1944, already clouded in 1943 by the extremely severe decline in beet-sugar production, became even darker when it became known that demands of the 1944 industrial alcohol program on sugar-bearing materials would be particularly heavy. WFA had been notified that in view of the limitations on the use of corn and other grains for the manufacture of such alcohol, the equivalent of at least 1 million tons of sugar in the form of invert molasses would be needed for alcohol. Such a quantity represented almost 20 percent of the estimated 1943 civilian consumption of sugar in the United States. Accordingly, the industrial sugar ration was cut back to the 80 percent level on January 1, 1944.

The sugar supply situation became still more critical early in 1944 when sugar arrivals by water fell substantially behind schedule, and for a while it appeared that in addition to cutting the industrial sugar ration sharply for the second calendar quarter it would also be necessary to reduce the household sugar ration somewhat. Following negotiations between WFA and the War Shipping Administration, however, WSA promised an increased number of vessels for moving sugar from the Caribbean, and the only cut deemed necessary was in the industrial sugar ration, which was reduced to 70 percent for the April–June period. Later, this cut was restored retroactively by OPA when sugar arrivals by water increased greatly. During the second quarter of 1944 these arrivals averaged almost 600,000 tons a month, compared with about 350,000 tons in the first quarter.

The sugar supply outlook for 1944 began to improve somewhat when it became evident that the Cuban sugar crop would probably be one of the largest on record. The bulk of this crop, like the 1942 and 1943 crops, had been purchased by the United States Government. It was extremely fortunate that the sugar crop of the neighbor republic so greatly exceeded expectations, for not only were the 1944 continental beet crop and the 1943–44 Puerto Rican cane crop expected to be considerably below normal size, but sugar disappearance in the first half of 1944 was running at the highest level since 1941, the record distribution year.

Sugar deliveries by primary distributors in the continental United States in the January–June 1944 period totaled 3,202,262 short tons, raw value, compared with 2,843,663 tons during the corresponding period in 1943. On the other hand, sugar stocks in the hands of primary distributors in the continental United States on July 1 were approximately 200,000 tons smaller than on the same date a year earlier.

An early survey of 1944 sugar-beet acreage indicated that it would be only about 9 percent greater than the extremely small 1943 acreage, despite a price-assistance program which assured beet growers an average of $12.50 a ton of sugar beets, the highest return on record. The output of Puerto Rico in the campaign of the current year was about 400,000 tons smaller than that obtained from the 1941–42 crop because fertilizer was completely lacking at the height of the 1942–43 Caribbean submarine activity, and because of the most severe drought on record. Hawaiian sugar production remained at substantially the level of 1943—about 100,000 tons below pre-war levels. Louisiana sugar production from the 1944 crop is expected to be only slightly smaller than the high 1943 output. Price-support programs financed by the War Food Administration were in effect in 1944 in the last three areas mentioned. The OD cooperated with the CCC in formulating these price-support programs for sugar beets and sugarcane.

During the first three quarters of 1944, the ration of all industrial sugar users (except those known as provisional users) was established at 80 percent of their sugar use in 1941, the year of record sugar distribution in this country. Since there were no restrictions on the quantity of sugar available to such manufacturers for the large quantities of food products going to the armed forces, and for lend-lease and other governmental purposes, many food processors were able to operate at approximately the same level as in 1941 and substantially above pre-war levels.

Manufacturers of fruit preserves and canned fruits and vegetables receive sugar according to the unit of product manufactured. Consequently, the more they produce, the more sugar they obtain.

TABLE 20.—*Estimated gross conditional payments to producers, under the Sugar Act of 1937, 1943 program*[1]

	Dollars		Dollars
SUGAR-BEET STATES		SUGAR-BEET STATES—continued	
California	3, 000, 000	Wisconsin	280, 630
Colorado	4, 159, 221	Wyoming	730, 721
Idaho	1, 627, 143	Total	17, 611, 424
Illinois	25, 525		
Indiana	60, 829	SUGARCANE STATES	
Iowa	28, 009	Florida	701, 009
Kansas	100, 843	Louisiana	6, 768, 168
Michigan	1, 044, 851		
Minnesota	598, 043	Total	7, 469, 177
Montana	1, 694, 706		
Nebraska	1, 457, 023	SUGARCANE INSULAR REGION	
New Mexico	4, 750		
North Dakota	309, 310	Hawaii	8, 205, 809
Ohio	307, 763	Puerto Rico	12, 000, 000
Oregon	401, 000	Virgin Islands	96, 000
South Dakota	115, 459		
Texas	598	Total	20, 301, 809
Utah	1, 195, 000		
Washington	510, 000	Grand total	45, 382, 410

[1] Include acreage-abandonment and crop-deficiency payments, but do not include payments made by the CCC, which in the case of sugar beets averaged $1.53 per ton and of Louisiana sugarcane, 34 cents per ton.

U. S. GOVERNMENT PRINTING OFFICE: 1945

UNITED STATES DEPARTMENT OF AGRICULTURE

Office of Marketing Services

THE SUGAR PROGRAM OF 1945

Legislation which was enacted in June of 1944 extended the Sugar Act of 1937 for another 2 years without change and provided part of the authority needed under wartime conditions to continue price-support and assistance programs designed to provide sufficient income and assistance to growers to encourage sugar production. Since April 13, 1942, the quota provisions of the act have been in suspense by Presidential proclamation. Accordingly, in recent years there have been no governmental restrictions on sugar production, either in the continental or offshore areas of the United States, and emergency programs to encourage increased sugar production have been made effective.

MINIMUM WAGES ESTABLISHED FOR FIELD WORKERS

"Fair and reasonable" wage rates, to be paid by sugar-beet and sugarcane growers as one of the conditions for payments under the Sugar Act, were established during the year for all the domestic sugar-producing areas. As in 1944, owing to competition for the short supply of labor, wages higher than the basic levels set forth in the wage determinations issued under the act were paid. Accordingly, instead of serving as prevailing wages, as in prewar years, the prescribed rates provided a protective minimum and served as a stabilizing factor.

Since the price growers were to receive for the 1945 crop of sugar beets was not expected to differ from that received for the 1944 crop, only minor adjustments were made in the 1945 wage determination. These adjustments were made to meet certain problems raised at the public hearings and problems of labor recruitment. Voluntary bonus systems placed in effect in 1945 will increase laborers' earnings substantially. In many parts of the beet area the prevailing wages, with or without a bonus, are somewhat higher than the minimum rates required by the determination.

Substantial wage increases had taken place in Louisiana in 1943, and no further increases were required under the wage determination issued in connection with the 1944 harvest, even though grower income was increased. The use of mechanical-harvesting equipment and an easing of the labor problem diminished the need for wage rates above the minimum levels required to qualify for conditional payments. Consequently, the wages paid in the 1944 harvest more nearly reflected the prewar wage-income relationship than did those of 1943. Cultivation wage rates for Louisiana in 1945 were increased 13 percent over 1944, which action reflected the increased income of producers from Federal payments.

During production of the last two crops, Florida growers were compelled by a severe labor shortage to pay wages considerably higher than the minimum rates provided in the determinations. The 1944 wage determination for this area established day wages at a level about 17 percent higher than for 1942, the last previous year for which specific rates were determined. Other changes included a simplification of the wage scale, which now more adequately meets the requirements of this area. Except for that portion of the 1944 crop harvested after February 22, 1945, no wartime subsidy payment was made to Florida growers for the 1944 crop. Cultivation rates for Florida for 1945 were increased by 20 percent, as compared with 1944. The increase reflects the increased income which will result from the subsidy payment to be made for the first time in that area on a full crop.

Because a thorough readjustment of the basic wage rates in Puerto Rico was made in 1944, and because the determination included a provision for automatic wage increases in the event of price increases, no changes were made in the 1945 wage determination for this area. Federal price-support payments made to growers were required to be shared with laborers.

The 1945 determination for Hawaii excluded many of the detailed provisions contained in former determinations and established a simple hourly wage per worker at a level about 15 percent above the required 1944 rate. In addition to receiving the required minimum hourly rate, laborers are assured a voluntary bonus payment by producers based on any increase in the price of sugar not taken into consideration in the basic wage-income relationship.

In the Virgin Islands, cane workers' earnings were improved by increasing the required wage rates for 1945 about 18 percent to reflect the increased income of producers resulting from Federal subsidies.

Sugar production in the continental United States has declined during recent years largely because sugar crops require much labor and because some farmers have preferred to grow other crops also needed during wartime. The War Food Administration helped to reduce the labor difficulties by bringing here thousands of laborers from foreign countries and moving American laborers from place to place within this country.

SOIL-CONSERVING PRACTICES

The farming practices required of growers of sugar beets and sugarcane in Louisiana, Hawaii, and the Virgin Islands as a condition for payment under the Sugar Act were identical with those for the preceding year. On the recommendation of the Florida State Agricultural Conservation Committee, the practices of turning under sorghum as a green manure and as a cover crop were added for 1945. For Puerto Rico, the farming practices specified for 1945 represented an increase in the fertilizer requirements that were in effect for the 1944 crop. Increased supplies of fertilizer and an improvement in shipping facilities led to a return of requirements to the prewar levels contained in the 1941–42 determinations. Estimated gross conditional payments to producers under the act are shown in table 1 for the 1944 program.

OTHER DETERMINATIONS

The determinations of proportionate shares for sugar-beet and sugarcane growers for the 1945 crop continued in effect the wartime

policy of unlimited production. Public hearings were held in all domestic areas during the year on the "fair and reasonable price" condition of payment, under the Sugar Act, which applies solely to producer-processors of sugar beets or sugarcane who buy beets or cane from other growers. This condition requires them to pay for the puchased cane or beets not less than the prices deemed "fair and reasonable" by the Secretary of Agriculture after public hearing and investigation. The determinations issued during the year followed closely those of prior years.

TABLE 1.—*Estimated conditional payments to producers, under the Sugar Act of 1937, 1944 program* [1]

Area	Dollars	Area	Dollars
SUGAR-BEET STATES		SUGAR-BEET STATES—con.	
California	3, 114, 000	Wisconsin	303, 000
Colorado	4, 026, 000	Wyoming	853, 000
Idaho	1, 663, 000		
Illinois	28, 000	Total	18, 633, 000
Indiana	5, 000		
Iowa	17, 000	SUGARCANE STATES	
Kansas	119, 000		
Michigan	1, 449, 000	Florida	700, 000
Minnesota	720, 000	Louisiana	6, 040, 000
Montana	1, 978, 000		
Nebraska	1, 394, 000	Total	6, 740, 000
New Mexico	3, 000		
North Dakota	416, 000	SUGARCANE INSULAR REGION	
Ohio	338, 000		
Oregon	497, 000	Hawaii	8, 211, 000
South Dakota	123, 000	Puerto Rico	12, 100, 000
Texas	3, 000	Virgin Islands	75, 000
Utah	1, 059, 000		
Washington	525, 000	Total	20, 386, 000
		Grand total	47, 759, 000

[1] Include acreage-abandonment and crop deficiency payments.

SPECIAL WARTIME ACTIVITIES

The raw sugar allotment order WFO 7.1, which established raw sugar allotments for cane-sugar refiners in the continental United States, was terminated August 17, 1944. But under WFO 7, which was continued, an endeavor was made to direct the movement of raw-sugar supplies so as to maintain, so far as was practicable, the historical relation between the volume of meltings of the various refiners. WFO 7 specified that the purchase, importation, or acceptance of raw sugar by refiners must be specifically authorized by the War Food Administration.

On June 13, 1945, the War Food Administrator announced the issuance of WFO 131, which provided for controlled distribution of sugar by cane-sugar refiners, beet-sugar processors, importers of direct-consumption sugar, and mainland direct-consumption cane-sugar producers. This order authorized the fixing of distribution quotas for all primary distributors of sugar. These quotas were designed to control the release of sugar by primary distributors, in order to make sure actual distribution would be consistent with the alloca-

tions of the War Food Administration to all claimants of the United States supply. Sugar allocated for civilian use continued to be distributed through the ration regulations of the Office of Price Administration. WFO 131.1 established the distribution quotas for primary distributors for the period April 1 to September 30, 1945.

Continued assistance was given the continental and insular sugar industry in obtaining the processing equipment needed to operate efficiently and at the highest possible production level. All priority applications for sugar processing equipment received by the War Production Board were reviewed, and recommendations of approval or denial were made.

In order that the domestic production of sugar could be increased a limitation under War Production Board Order M–54 on the quantities of beet sugar molasses which could be desugarized was eliminated. The order was originally placed in effect to insure that the yeast and citric-acid industries would have sufficient supplies to meet the reasonable needs for those products.

The detailed figures on domestic-sugar production, processing, meltings, and the distribution of stocks, which WFA gathered under authority of the Sugar Act of 1937, continued to furnish the statistical basis for OPA's sugar-rationing program, for sugar allocations by WFA among the various Federal agencies that are claimants for domestic or foreign account, and for other uses.

The use of sirup and edible molasses increased somewhat in 1944, but WFO 51 substantially held in check a larger potential use. This order was essential in preventing an undue diversion from the production of sugar to sirup and molasses and in keeping these products in legitimate channels of trade. Increase in use is reflected in the 10 percent increase in basic quotas, which became effective October 1, 1943, and in specific authorizations granted to relieve hardship cases and to permit the use of increased importations.

Commercial use of sirups and edible molasses by reporting blenders and food manufacturers during the calendar year 1944 amounted to 35,269,000 gallons distributed as follows: Refiners' sirup, 15,320,000 gallons; sirup of cane juice, 6,356,000 gallons; first and second molasses, 7,317,000 gallons; edible blackstrap, 6,276,000 gallons. Stocks of all types, except blackstrap, held by producers, distributors, and commercial users declined from 15,112,000 to 14,194,000 gallons, a decrease of 918,000 gallons.

U. S. GOVERNMENT PRINTING OFFICE: 1946

UNITED STATES DEPARTMENT OF AGRICULTURE

Production and Marketing Administration

THE SUGAR PROGRAM OF 1946

World production of beet and cane sugar, which averaged about 34.5 million tons (raw value) before the war, was estimated at 27.2 million tons for the 1945–46 season. Consequently, international allocation continued to be necessary, and consumption controls in the major importing nations were essential to assure equitable distribution and avoid inflation.

INTERNATIONAL ALLOCATIONS

For the calendar year 1946, the Combined Food Board, of which the Secretary of Agriculture was a member, recommended an international allocation of sugar that would permit a per capita consumption of about 73 pounds of refined sugar in the United States, the United Kingdom, and Canada. For liberated areas, the curtailed home production and supplies from other sources were supplemented by allocations out of Cuban supplies to provide minimum ration needs calculated as a percentage of their prewar consumption. The ration level in such liberated areas was much lower than that in the United States, the United Kingdom, and Canada.

PURCHASE PROGRAMS

Purchase of the 1946 and 1947 Cuban sugar crops brought the total of Cuban crops purchased by the United States to six. The 1946 and 1947 crop-purchase agreements provide for a basic price of 3.675 cents per pound which is to be modified to recognize: (1) Increases in food costs and living costs, (2) upward revision of sugar price ceilings, (3) higher prices for sugar producers in Puerto Rico, (4) reductions in duty, and (5) purchases from foreign countries by the United States at prices above the Cuban level. A new pricing procedure must be agreed upon if the price of sugar is decontrolled during the life of the agreement. The Government also purchased the 1946 Puerto Rican and Virgin Island crops and a considerable quantity of privately owned sugar in Peru.

REFINED-SUGAR PURCHASE PROGRAM

During the first half of the fiscal year, the Department purchased refined sugar from United States primary distributors, and from Cuba and Peru for resale to foreign countries to whom allocations of sugar were made in accordance with the Combined Food Board's recommendations. Approximately 150,000 tons were shipped to foreign claimants, of which 64,000 tons were shipped through the United States for refining, 67,000 tons were shipped direct from Cuba, and

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19,000 tons direct from Peru. After January 1, 1946, however, when the procurement of food for export was returned to commercial channels, the only sugar procured by the Department was for the United Nations Relief and Rehabilitation Administration, the Commonwealth of the Philippines, and the French colonies. Under this latter procurement program, refined sugar amounting to 109,000 tons, raw value, was shipped during the last half of the fiscal year. This represents allocations of Cuban sugar, the greater part of which was refined in the United States.

PRICE SUPPORT

To assure maximum production in the domestic areas, 1946-crop programs patterned after those of other years were announced in August 1945. Sugar-beet producers were guaranteed a national average return of about $13.50 per ton of sugar beets—$1 per ton more than in the previous year. This return included an announced price-support payment of approximately $4 per ton for average quality beets. The announcement also provided for a price-support payment to Louisiana and Florida sugarcane producers of about $2.10 per ton of sugarcane—about 50 cents per ton more than under the 1945 programs. Producers in Hawaii and Puerto Rico were also to receive about $2.10 per ton—about 90 cents more per ton of cane in Hawaii, and about $1 more in Puerto Rico. (The obligation to pay support payments are to be reduced by price increases when effective.)

On the 1945 crop, sugar-beet processors were to receive assistance payments of about 18 cents per hundred pounds of refined sugar to offset increased production costs. Domestic-cane processors were to receive about 15 cents per hundred pounds of sugar, raw basis, provided processors' direct production costs increased over those of the base year by 15 cents or any part thereof. The program also provided for reduction of obligations as prices increased and increases were effective.

In addition, primary distributors were reimbursed for excess costs, incurred when sugar was marketed in abnormal territories. The contract providing for the sale of Government-purchased raw sugar to refiners, under which the Government absorbed certain cost items of extra ocean-freight, marine, and war-risk insurance, demurrage, and abnormal handling, was continued with little change.

SUGAR ACT ACTIVITIES

Wage requirements to be met by sugar-beet and sugarcane growers as a condition to receiving payments under the Sugar Act of 1937, as amended, were again established for all domestic sugar-producing areas. Minimum wage rates were increased in the sugar-beet area and Florida about 17 percent above 1945 and in Louisiana about 8 percent. Wages in Puerto Rico were higher, since under the determination they were based on sugar prices. Hawaiian rates were established at increased levels as negotiated between unions and producers.

Determinations of fair and reasonable sugar-beet and sugarcane prices and soil-conserving practices were issued for all domestic areas. Disbursements under the Sugar Act of 1937, as amended, in connection with 1945 domestic crops were estimated at $50,565,000.

WAR FOOD ORDERS

War Food Order 131.1, which limited the distribution of refined sugar by primary distributors to quantities allocated, was in force from June 13, 1945, until the end of December 1945. WFO 51 was continued. The purpose of WFO 51, which restricts the distribution and use of edible molasses, is to prevent the diversion of sugarcane to the production of nonrationed sweetening products. WFO 7, under which raw sugar is allocated to refiners, continued in force.

PROGRAM COSTS, DISTRIBUTION, AND STOCKS

During the calendar year 1945, deliveries of sugar by primary distributors for consumption in the United States and by the American armed forces abroad totaled 6,041,382 short tons, raw value. This compares with 7,147,350 short tons in 1944; 6,334,713 tons in 1943; and 5,466,204 tons in 1942.

As the fiscal year ended, sugar stocks on the mainland amounted to 1,418,532 short tons, raw value. This figure compares with the very low figure of 1,227,090 short tons for 1944; 1,751,348 for 1943; and 2,136,230 for 1942.

The net cost of sugar programs undertaken by the Commodity Credit Corporation for the fiscal years 1944, 1945, and 1946 was about 126.5 million dollars. Collections by CCC for these 3 years, as a result of the duty-free entry of sugar and sale at a duty-paid price, were about 84 million dollars.

Under the Sugar Act of 1937, county committees administered the payment of approximately 51 million dollars on the 1945–46 sugar-beet and sugarcane crops to about 90,000 producers in the continental United States, Hawaii, Puerto Rico, and the Virigin Islands.

Committee responsibilities included the determination of planted, abandoned, and harvested acreage, and the eligibility of growers for abandonment and deficiency payments. The committeemen also checked compliance with the labor, wage, price, and soil-conservation requirements of the act.

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UNITED STATES DEPARTMENT OF AGRICULTURE

Production and Marketing Administration

THE SUGAR PROGRAM OF 1947

World production of beet and cane sugar for the 1946–47 season was estimated early in 1947 at 30.4 million tons. This estimate was later revised upward to 31.1 million tons, owing primarily to the Cuban crop, which increased throughout the season to a record of 6,448,000 tons. However, world production was still considerably below the prewar average of 34.8 million tons, and consequently international allocations were continued and consumption controls were maintained in the United States until summer.

In March 1947, sugar rationing and price control, formerly administered by the Sugar Division of the Office of Price Administration, were transferred to the Department of Agriculture under the provisions of the Sugar Control Extension Act. The Sugar Rationing Administration was established to administer the work in the Department. In June 1947, owing primarily to an increase in the United States share of the Cuban crop, rationing of sugar for household and institutional use was eliminated. Rationing of sugar for industrial users ended in July, but price ceilings were retained through October 31.

INTERNATIONAL ALLOCATIONS

The record 1947 Cuban crop has made possible recommended allocations by the International Emergency Food Council from Cuban sugar of 2.0 million short tons more than in 1946. The United States share of this increase is about 1.4 million tons. Sugar supplies in most other areas subject to IEFC recommendations also are substantially improved in 1947. These increases provide United States supplies of approximately 97.5 pounds, raw value, per capita this year, compared with 79.2 pounds in 1946. The 1947 total (per capita basis) is about 94 percent of the prewar average. The 1947 IEFC recommendation provides a per capita consumption of at least 75 percent of the prewar per capita consumption for all the countries of western Europe that have requested sufficient sugar to achieve that level. The corresponding figures in 1946 lay between 50 and 60 percent.

PURCHASE PROGRAMS

During the fiscal year 1947, the Department contracted to buy the 1946 and 1947 Cuban sugar crops, the 1947 Puerto Rican sugar crop, and the 1947 Virgin Islands sugar crop. These contracts provided for purchase of the entire production of these areas, except for certain quantities required for local consumption and, in the case of Cuba, certain additional quantities reserved for free export. The purchase of these crops assured the fullest possible supply from these areas to the

United States and made it possible to provide for an orderly movement of this sugar to the United States and for its equitable distribution here.

Because of increased plantings and favorable weather conditions, the 1947 Cuban sugar crop—estimated at 6,448,000 short tons—is the largest Cuban sugar crop on record. The production of 6,448,000 tons represents an increase of 1,972,000 short tons over the 1946-crop Cuban production. Puerto Rican production of 1946–47-crop sugar, 1,087,000 short tons, compares with 909,000 short tons produced in 1945–46. Production in the Virgin Islands decreased from 5,000 short tons in 1946 to 3,000 in 1947.

The final average settlement price for all 1946-crop sugar was 4.1816 cents per pound. The increase from the basic minimum price of 3.675 cents per pound was based on an increase in the index of the retail price of foods in the United States as provided for in the 1946 and 1947 Cuban contract. An amendment to the 1946 and 1947 Cuban contract, negotiated early in 1947, established a basic minimum price of 4.925 cents per pound for 1947-crop Cuban sugar. The 1947-crop basic minimum price is subject to upward revision, contingent upon certain events such as increases in the index of United States retail food prices, in the index of the United States cost of living, and in ceiling prices in the United States. Since the 1946 and 1947 Cuban contract provides for the determination of a new pricing procedure when ceiling prices end in the United States, the Department and the Cuban Sugar Stabilization Institute entered into a new contract in October 1947.

The basic minimum price for the 1946 crops of Puerto Rico and Virgin Islands sugar was 3.845 cents per pound. This price was tied to the United States ceiling price for raw sugar and varied with the ceiling price in effect when the loading of an ocean carrier was begun in Puerto Rico and the Virgin Islands. In addition, the 1946-crop Puerto Rican and Virgin Islands purchase contracts provided for a grower's support payment of approximately 87 cents per hundred pounds and for a processor-assistance payment of 15 cents per hundred pounds. Because of increases in the United States ceiling price for raw sugar, the Department's obligations to make price-support and processor-assistance payments to growers of 1946-crop sugarcane and to processors of 1946-crop sugar in Puerto Rico and the Virgin Islands were materially reduced. The price of 1947-crop Puerto Rican and Virgin Islands sugars consists of the final price paid by the Department to Cuba for 1947-crop sugar plus the United States duty and ocean-freight differentials historically applied to these areas. Shipments of 1947-crop Puerto Rican and Virgin Islands sugar are being made currently at a basic price of 5.755 cents per pound. Under the 1947 contracts the payments on 1946 crop sugar were increased 0.479 cent per pound for Puerto Rico and 0.467 cent for the Virgin Islands, so that the total payments for those crops corresponded with the final price paid Cuba for 1946 crop sugar.

PRICE SUPPORT

The 1946-crop price-support and processor-assistance programs announced in August 1945 guaranteed growers of beets $13.50 per ton of average quality beets. Price increases during the fiscal year 1947

materially affected the actual cost of these programs to the Commodity Credit Corporation.

At the end of the fiscal year, the program for sugar beets was not yet completed; but the prospect was that there would be little, if any, cost to CCC, and that beet growers in most settlement areas would receive somewhat more than the support price for their beets out of the net proceeds from the sale of sugar.

Price increases known by the time harvest was well under way raised the "season average price" for Louisiana and Florida sugarcane above the support level and therefore no program was put into operation for these areas. For Hawaii, price increases reduced payments from the anticipated levels of $2.10 per ton of average sugarcane (growers' price support) plus 15 cents per 100 pounds of raw sugar (to assist in meeting increased processing costs) to a total of approximately 35 cents per 100 pounds of sugar. The program for Puerto Rican sugarcane was an adjunct of the purchase programs and is included in the report of that program.

Programs for 1947-crop sugar included price supports for sugar beets and Hawaiian sugarcane. This program was designed to assure Hawaiian producers a price comparable with that paid under the 1946- and 1947-crops Cuban Raw Sugar Purchase and Sale Agreement. These programs were announced in the fall of 1946.

Under the 1947-crop Sugar Beet Price Support Program, processors guaranteed their growers an average of $14.50 per ton for beets of average sucrose content. In turn, CCC guaranteed that the basic price of specified seaboard cane refineries for cane sugar would average at least $8.20 during the period when each beet processor sells sugar. Since 1947-crop sugar will be sold during a period beginning early in the 1948 fiscal year and lasting until about the end of the 1949 fiscal year, the results of the program in terms of cost to CCC cannot be predicted accurately.

The Price Support Program for 1947-crop Hawaiian sugar provides for an average San Francisco delivered price equal to the final average price paid for Cuban sugar with adjustments for duty and freight differences. The program also provides for certain CCC control over the destination of the sugar and a payment calculated on the output of 1946-crop sugar tending to equalize returns from that crop with the payments for Cuban sugar of the same crop.

Programs for reimbursement of excess costs of shipping sugar beets from closed mill areas to operating mills, of shipping Louisiana raw cane sugar to refineries other than the nearest, and of excess ocean freight on Hawaiian and Puerto Rican sugar were terminated when the 1946 crops were moved from these areas.

SUBSIDY PROGRAMS

Between July 1946 and January 1947, reimbursement was made to primary distributors for the excess transportation costs they incurred in shipping from available stocks more than 3,000,000 bags (100 pounds each) of refined sugar to distantly located areas which, in the absence of such a program, would not have had sufficient sugar to meet ration requirements. Dislocation of supplies during September, October, and November 1946 was especially severe because maritime strikes interrupted the importation of offshore sugar.

To effect an equitable distribution of sugar in the United States, PMA, by continuing in effect (with minor changes) the reimbursement program to importers of Cuban and Puerto Rican direct-consumption sugar, enabled importers to continue importing and marketing the sugar within price ceilings.

Offshore raw sugar purchased by CCC continued to be sold, as it had been since 1943, under contracts with refiners of raw cane sugar east of the Rocky Mountains. Ceiling prices on raw sugar in effect during the fiscal year and the duty-free entry of such sugar through December 31, 1946, enabled CCC to sell its sugar generally without any absorptions.

REFINED SUGAR PURCHASE PROGRAM

During the year CCC purchased 930 tons of refined sugar for foreign claimants. In addition, 36,000 tons of refined sugar purchased during the previous year were shipped to complete the UNRRA sugar program. To make it possible for foreign claimants and the armed forces to purchase sugar through commercial channels, against allocations, Cuban raw sugar was allotted to United States refiners to replace refined sugar sold for export and to the armed forces.

SUGAR EXPORT CONTROLS

PMA administers export controls on sugar and related products pursuant to the terms of the Sugar Control Extension Act of 1947. Sugar exports were permitted only to claimant countries which received allocations of Cuban sugar upon recommendation of the International Emergency Food Council and the Department of Agriculture. This sugar was brought to this country in raw form for refining purposes. In considering applications for the export of sugar-containing products, account was taken of the supply situation in the United States, the use to be made of the product, and other factors.

SURPLUS PROPERTY DISPOSAL

The declared value of the fountain sirups, flavorings, and nonalcoholic beverages declared surplus by the Army and Navy transferred to PMA totaled $1,012,028.99.

By the end of the fiscal year, $937,396.91 (declared value) worth of the total declared had been disposed of. Disposals were made in accordance with the Surplus Property Act, which affords priority to the Federal Government, veterans, State and local governments, nonprofit institutions, public international organizations, and the general trade in the order named.

SUGAR ACT ACTIVITIES

The conditional-payment provisions of Title III of the Sugar Act of 1937, as amended, continued in operation during the fiscal year 1947, although the quota provisions of the act remained under suspension. There were no governmental restrictions on sugar production in any of the domestic producing areas. In fact, the Department encouraged the production of sugar through various special programs and activities. Although total sugar production in the domestic areas declined during the war period, the result primarily of a labor shortage in most areas, of worker strikes in Puerto Rico and Hawaii, and of competi-

tion with other farm products in the sugar beet area, table 10 shows that a more nearly normal rate of production was regained.

Table 10.—*Production of sugar (raw value, 1,000 short tons), by crop years, 1940–46*

Year	Continental		Puerto Rico	Virgin Islands	Hawaii
	Cane	Beets			
1940	337	1, 897	940	8	977
1941	415	1, 588	1, 156	1	947
1942	460	1, 726	1, 046	4	870
1943	496	998	729	3	886
1944	469	1, 050	971	4	875
1945	514	1, 278	916	4	835
1946 [1]	426	1, 523	1, 090	5	680

[1] Estimated.

Payments made pursuant to the Sugar Act of 1937, as amended, have been an important factor in maintaining sugar production because they make up a substantial percentage of the income of sugar-beet and sugarcane producers. In qualifying for these payments producers are required to meet certain standards with respect to child labor and wage rates, to perform certain soil-conserving practices prescribed by the Secretary, and, if they are processors as well as producers, to pay fair and reasonable prices for sugar beets and sugarcane.

The payments are made at a basic rate of 80 cents per hundred pounds of commercially recoverable sugar, raw value. The rate decreases as the quantity of sugar produced on the farm increases, and reaches a minimum of 30 cents per hundred pounds on the part of the total quantity produced on the farm that exceeds 30,000 short tons.

In addition to these basic payments, partial crop-loss payments are made in cases of bona fide abandonment of planted acreage and crop deficiencies of harvested acreage. This measure of protection against crop loss resulting from drought, flood, storm, freeze, disease, or insects has helped to keep up farmers' interest in sugar-yielding crops.

The estimated total of these payments, the part of the payment made with respect to abandonment and deficiency, and the number of payees, for the 1946 crop year by various domestic areas, are shown in table 11.

The operation of the Sugar Act payment program has necessitated the issuance of a large number of forms and instructions and numerous determinations by the Secretary of Agriculture. Public hearings were held in each of the domestic producing areas, and special investigations were made in most of them to obtain the information needed in making the determinations. The most significant determinations dealt with fair prices for sugar beets and sugarcane, and fair and reasonable wage rates paid by producers applying for payments under the act.

During the fiscal year, fair-price determinations were issued covering the 1946 crop in Louisiana and Florida, the 1946–47 crop in Puerto

TABLE 11.—*Payments under Sugar Act of 1937, and number of payees, crop year 1946*

	Continental sugar-beet area	Continental sugar cane area	Hawaii	Puerto Rico	Virgin Islands
	Dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*
Total amount of payments	28, 200, 000	6, 700, 000	6, 575, 000	15, 200, 000	67, 000
Abandonment and deficiency payments	1, 258, 000	347, 000	(no est.)	592, 000	------
	Number	*Number*	*Number*	*Number*	*Number*
Payees	62, 000	10, 500	1, 500	14, 400	550

Rico, the 1947 crop in the Virgin Islands, and the 1946 and 1947 crops in the United States sugar-beet area. A significant change in price requirements became effective in Puerto Rico when processors were required to increase the sharing of producers by 1.5 percent—from 65 to 66.5 percent generally. In the other areas approval was given to existing agreements between growers and processors. But in the sugar-beet areas, the sharing of growers under such agreements had been increased substantially under the Department's sugar beet price-support program.

During March, minimum wage rates were issued for the 1947 crop of sugar beets. These rates were advanced from an average of $41.16 per acre in 1946 to $44.36 per acre in 1947, or about 7.8 percent. This increase allowed to labor a proportionate share of the higher support price guaranteed to growers for the 1947 crop.

Minimum rates for cultivation work in 1947 in the Louisiana sugarcane area were established in February. These rates were increased by about 6 percent over the 1946 minimum rates, and gave to labor the customary share of anticipated proceeds from the 1947 crop.

Minimum wage requirements to be met by Florida sugarcane producers during the period July 1, 1946, to June 30, 1947, were issued during September 1946. Time rates for the four classes of workers covered were raised about 14 percent above those for the preceding period. Because of changed harvesting methods no piece rates were specified, but minimum hourly rates were established to protect workers employed on a piece-rate basis.

The minimum wage determination for work during the calendar year 1947 in Puerto Rico was issued in December 1946. The only changes from 1946 in the 1947 wage requirements were an extension of the wage escalator scale to provide for wage increases at higher sugar prices, and a moderate increase in the wage increment at higher price levels.

Under the 1947 minimum wage scale for the Virgin Islands, day wages were increased about 9 percent from the 1946 level. A further wage increase is provided in case the 1947 sugar crop is sold at a price higher than that prevailing in January 1947, when the rates were issued.

The excise tax imposed on sugar in connection with special sugar legislation, designed to provide sufficient revenue for the operation of the Sugar Act, has supplied an average annual revenue of $15,000,000 in excess of the average amount of expenditures made under the act. In the fiscal year 1947, tax collections amounted to $59,152,122 and expenditures under the act to an estimated $52,316,318.

The Sugar Act of 1948 was passed early in the 1948 fiscal year.

WAR FOOD ORDERS

War Food Order 51, which restricted the production, distribution, and use of edible molasses in order to prevent the diversion of sugarcane and raw sugar from the production of rationed sugar, was terminated in April 1947. The order had been in effect since December 1941.

WFO 131, issued in June 1945 as a basis for setting up quotas for the delivery of sugar by primary distributors for civilian, military, and export purposes, was terminated in February 1947. WFO 131.1, which established such quotas, had not been in effect since January 1946.

WFO 7, which controls the allocation of raw sugar to continental refiners, was continued throughout the year. In August 1946, in order to increase needed supplies of crystalline sugar by the restriction of production of refiners' sirup, amendment 4 to WFO 7 was issued. This amendment, in effect since the beginning of the third quarter of 1946, limits the quantity of refiners' sirup per ton of raw sugar melted that may be produced by refiners during any calendar quarter.

PROGRAM COSTS, DISTRIBUTION, AND STOCKS

The net cost of all sugar programs undertaken by CCC, cumulative to June 30, 1947, was $118,119,168. The operation of the 1945-, 1946-, and 1947-crop programs active during the past year, and cumulative to the end of the fiscal year, involved the use of $662,713,400, with a net cost of $22,432,873.

Under the Sugar Act of 1937, county committees administered the payment of approximately 57 million dollars on the 1946–47 sugarbeet and sugarcane crops to about 90,000 producers in continental United States, Hawaii, Puerto Rico, and the Virgin Islands.

Committee responsibilities included the determination of planted, abandoned, and harvested acreage, and the eligibility of growers for abandonment and deficiency payments. The committeemen also checked compliance with the labor, wage, price, and soil conservation requirements of the act.

During the calendar year 1946, deliveries of sugar by primary distributors for consumption in the United States and by the American armed forces abroad totaled 5,620,708 short tons, raw value. This compares with 6,040,569 short tons in 1945; 7,147,350 in 1944; and 6,334,713 in 1943. The quantity allocated by the end of June for consumption in the United States during 1947 was 7,150,000 tons.

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Production and Marketing Administration

SUGAR PROGRAMS OF 1948

SUBSIDY OPERATIONS

PURCHASE PROGRAMS

During the first 6 months of the fiscal year, 1947-crop Cuban sugar and Puerto Rican and Virgin Islands sugar continued to move to the United States and to other countries for which it was purchased. These crops had been purchased previously, that from Cuba under the 1946 and 1947 Cuban Sugar Crops Purchase and Sale Contract. The 1947 Cuban crop, the largest in history, and the 1947 Puerto Rican and Virgin Islands sugar cargoes were disposed of as shown in table 8.

TABLE 8.—*Disposition of Cuban, Puerto Rican, and Virgin Islands sugar crops (raw value), 1947*

Sugar for—	Approximate quantities from—		
	Cuba	Puerto Rico	Virgin Islands
	Short tons	*Short tons*	*Short tons*
United States	3, 853, 393	960, 583	2, 738
Local use	227, 953	126, 662	224
Other countries	1, 881, 147		
U. S. Department of Army, for occupied areas	485, 350		
United States foreign-aid program	364		
Total	6, 448, 207	1, 087, 245	2, 962

Pursuant to the provisions of the 1946 and 1947 Cuban contract, approximately 125,000 short tons, raw value, of refined sugar were purchased at 6.3488 cents per pound (f. a. s. Cuban ports). This sugar was sold to foreign claimants and to the United States Department of the Army for use in occupied areas at cost plus administrative expenses and handling costs.

By amendment to the 1946 and 1947 Cuban contract in October 1947, an average settlement price of 4.9625 cents per pound (f. a. s. Cuban ports) was agreed upon for the entire 1947-crop Cuban raw-sugar purchase. This amendment also included the purchase of an

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additional 56,790 short tons, raw value, of refined sugar by the Commodity Credit Corporation, at 6.272 cents per pound. The refined sugar was sold to the Department of the Army for use in occupied areas. Approximately 321,000 short tons 1947-crop Cuban raw sugar, representing the remainder of the purchase by CCC under the 1946 and 1947 Cuban Sugar Crops Purchase and Sale Contract, were shipped during the last half of the fiscal year by the Department of the Army for use in occupied areas.

CCC assigned to the Reconstruction Finance Corporation its rights and obligations with respect to the purchase of blackstrap molasses and industrial alcohol under the 1946–47 Cuban contract. This assignment was amended to extend the termination date from June 30, 1947, to June 30, 1948. As all purchases under this assignment were completed before June 30, 1948, no further extension was necessary.

The average final-settlement price for 1947-crop Puerto Rican and Virgin Islands raw sugar was 5.8 cents per pound.

The Department also purchased 1,000,000 short tons of 1948-crop Cuban raw sugar, 38,811 short tons of 1947–48 crop Peruvian raw sugar, and 16,800 short tons of Javanese direct-consumption sugar for use by the Department of the Army in occupied areas in Japan, Korea, and Germany, and for use under the United States foreign-aid program in Italy and Austria. The prices of such sugar were: Cuban—4 cents per pound f. a. s. Cuban ports, basis 96° polarization; Peruvian—4 cents per pound f. a. s. Peruvian ports, with no allowances for polarization; and Javanese direct-consumption sugar—5.22 cents per pound, delivered in Japan. Through the end of June 1948, approximately 596,540 short tons of the Cuban and Peruvian sugars had been shipped. Shipments of the remainders of these tonnages were to be made during the first half of the 1949 fiscal year.

PRICE SUPPORT

Under the 1947 sugar-beet price-support program, processors who guaranteed their growers an average price of $14.50 per ton of beets of average sucrose content were, in turn, guaranteed reimbursement by CCC to the extent that the average basis price for refined cane sugar for the 1947-crop marketing period was less than $8.20 per 100 pounds, such reimbursement to apply only for granulated sugar produced from 1947-crop sugar beets. Since 1947-crop beet sugar is sold during the period beginning early in the 1948 fiscal year and ending about the close of the 1949 fiscal year, the costs to CCC cannot be predicted accurately at this time. However, reports indicated that as of June 30, 1948, approximately 82 percent of the production had been sold at a cost to CCC of approximately $11,861,270.

The price-support program for 1947-crop Hawaiian sugar, which provided for an average San Francisco delivered price equal to the final average price paid for Cuban sugar with adjustments for duty and freight differences, was completed at no cost to CCC.

During the fiscal year payments of approximately $8,600,000 were completed to Puerto Rican and Virgin Islands producers of 1946-crop sugar, and $6,369,000 was paid to Hawaiian producers of 1946-crop sugar so that treatment could be accorded these areas equal to that

accorded to Cuba for the 1946-crop Cuban sugar. In addition, Public Law 708, Eightieth Congress, approved June 19, 1948, authorized CCC to make adjustment payments to certain processors of raw cane sugar in Puerto Rico and Hawaii who dismantled or sold their mills after processing the 1946 crop. Pursuant to this law, processors in Puerto Rico and Hawaii who were eligible have received adjustment payments totaling $294,113.63. Thus, they received equal treatment with other processors in those areas for the crop year 1946.

REFINER PROGRAM

Offshore raw sugar of the 1947-crop brought to the United States was sold to refiners by CCC under contracts with refiners of raw cane sugar east of the Rocky Mountains. This program has been operative since 1943. Although the last of this sugar was entered before the end of 1947, it was not until the middle of March 1948 that the last of the CCC sugar was melted. Raw sugar sold to refiners and melted after October 31, 1947, and before January 12, 1948, was sold at the price (6.32 cents per pound) in effect before October 31, 1947. Raw sugar melted on and after January 12, 1948, was sold at market prices ranging from 5.70 to 5.45 cents per pound, determined in accordance with the contract between the refiners and CCC. The operation of the refiner contract resulted in no loss to CCC. Settlements under this program and liquidation are now being effected.

COMPLETED PROGRAMS

The program for importation of direct-consumption sugar was terminated on October 31, 1947, with the termination of sugar price ceilings. This program, in operation during the years when sugar was in short supply, helped to assure the United States of an adequate supply of direct-consumption sugar and later enabled the importation and distribution of such sugar within price ceilings. Cost of this program for the 1947 crop was approximately $125,565.

The authority to exercise such controls reverted to the Office of International Trade, Department of Commerce, on October 31, 1947, with the expiration of the authority under which the Department of Agriculture exercised controls over the exportation of sugar and related products.

SUGAR ACT ACTIVITIES

QUOTAS AND ALLOTMENTS

The Sugar Act of 1948 was approved August 8, 1947, and became effective January 1, 1948. The suspension of title II of the Sugar Act of 1937 was lifted by Presidential proclamation on November 28, 1947. The lifting of the suspension permitted the resumption of marketing control of sugar under the quota system, after nearly 5 years of sugar shortage.

After a public hearing held in December 1947, the estimate of requirements for continental sugar consumption for 1948 was fixed in early January at 7,800,000 short tons of sugar, raw value. Sugar quotas were established for the calendar year 1948 on January 7, 1948.

The estimate of continental sugar-consumption requirements was reduced on February 26 to 7,500,000 short tons and on May 26 to 7,000,000 short tons, when official statistics available to the Department indicated that the previous estimates were excessive. At the end of the fiscal year, after a marked increase in sugar distribution, plans were being made to increase the estimate to 7,200,000 tons. Quotas and prorations of quota were established and revised in keeping with the determinations of continental sugar-consumption requirements, and to allocate to other sugar-producing areas the deficits in the sugar quotas for Hawaii, the mainland cane area, and the Republic of the Philippines.

The average wholesale price for refined cane sugar at New York for the month of January was 8.209 cents per pound. The average for the month of June was 7.52 cents per pound, and the average for the first 6 months of 1948 was 7.777 cents per pound.

After a public hearing held in December 1947, an order was issued allotting to Puerto Rican refiners the 126,033 short tons of sugar, raw value, which is the portion of the Puerto Rican sugar quota that may enter continental United States during any calendar year as direct-consumption sugar. During the calendar year 1948, it is not expected that it will be necessary to allot the sugar quotas among domestic processors of sugarcane and sugar beets (Hawaii, Puerto Rico, mainland sugarcane area, and sugar-beet area) for marketing in continental United States.

In cooperation with the Bureau of Customs of the United States Treasury, complete control has been maintained of all quota sugar from offshore areas, both domestic and foreign. Raw sugar from offshore areas entered into continental United States for the express purpose of being refined and reexported as sugar or in sugar-containing products has been controlled through the medium of compliance bonds executed by the original importer.

Unless an emergency develops that requires the suspension of title II of the act, quota controls will be in effect until the expiration of the act on December 31, 1952.

WAGE AND PRICE DETERMINATIONS

Determinations of fair and reasonable prices were issued during the fiscal year for all domestic sugarcane-producing areas. No significant changes were made in the terms and conditions of determinations which prevailed in the previous fiscal year except for Puerto Rico. In Puerto Rico a sliding settlement scale tied to the yield of sugar from sugarcane replaced the "flat" sharing scale of previous determinations when the price of raw sugar (duty-paid basis, delivered) averages more than $5 per 100 pounds for the applicable settlement period. The scale provides sharing ratios of 63.5 percent for producers and 36.5 percent for producer-processors for sugarcane yielding from 9 to 9.99 pounds of sugar per 100 pounds of sugarcane. The producers' percentage of sharing increases 1 percent for each pound for sugar recovered above 9.99 pounds up to a maximum of 67.5 percent for sugarcane yielding 13 pounds or more. When the price of sugar averages $5 per 100 pounds or less, the sharing ratios as between producers and producer-processors remain unchanged at 65 percent and 35 percent,

respectively, for sugarcane yielding 12 pounds or more, and at 63 percent and 37 percent, respectively, for sugarcane yielding from 9 to 12 pounds of sugar. The price determination for the 1948 crop of sugar beets has not been issued.

Determinations establishing fair and reasonable wage rates were issued for all domestic sugarcane- and sugar-beet-producing areas. For workers in Florida and Louisiana the wage rates were increased by about 12 percent over the rates prevailing during the previous year. In Puerto Rico and the Virgin Islands some revisions were made in the wage escalator scale. These did not, however, result in any significant increases in wages. In Hawaii approval was given to the collective-bargaining agreement entered into between a committee representing the International Longshoremen's and Warehousemen's Union sugar locals and units and a committee representing the sugarcane-producing companies. This agreement provided for a minimum wage rate of 78½ cents per hour. The approval of the rates established under the collective-bargaining agreement was given, in view of the fact that the wage rates agreed upon before the issuance of the determination were not less than those indicated by the customary standards employed under the Sugar Act and that the payment of such higher rates, where agreed upon, was necessary to meet the "in full" requirements of the Sugar Act.

In the sugar-beet area two wage determinations were issued, one for work performed in California and the other for work performed in States other than California. The rates prescribed in California were the same as those which prevailed in the previous years. In States other than California, the number of wage districts was reduced from 10 to 6 and the wage scale was completely revised to give effect to the important strides made in mechanizing sugar-beet field work. Additional piece rates were established for workers performing hand tasks in conjunction with machine cultivation, modified sliding scales of payment for harvest work based upon 2-ton yield brackets were provided, and two supplemental wage payments were prescribed. The supplemental wage payments were payable (1) if the worker who entered into an agreement to perform the entire summer and harvest work completed such work and (2) if the worker who entered into an agreement to perform the entire harvesting work completed such work.

During the period of relatively low prices before the war, determinations of fair and reasonable wages and prices were highly significant, in that they provided for an equitable sharing of proceeds from sugar among processors, producers, and laborers. Although the effects of these determinations were less significant during the war years because of the dislocations brought about by incentive programs, price controls, and labor shortages, they have again assumed highly significant proportions with the removal of wartime controls and the passage of the Sugar Act of 1948. These events, combined with the important strides made in production and processing methods in recent years, required the adoption of a more comprehensive program than had previously been necessary properly to administer the wage and price provisions of the Sugar Act of 1948. This program includes

a thorough review of all the economic factors affecting the production, processing, and marketing of sugar beets and sugar cane. Plans have been made to conduct extensive surveys of the cost of and returns from producing and processing sugar beets and sugarcane, man-hour requirements, and the effects of mechanization upon such factors.

As a part of this program a study of the costs, returns, and related factors of the beet-sugar industry was initiated in February. This study covers the operations of representative groups of all sugar-beet producers for the 1947 crop and the operation of all sugar-beet processors for the 1945, 1946, and 1947 crops. Another study of major importance initiated during the fiscal year was a survey of labor performance in the thinning and harvesting of sugar beets.

CONDITIONAL PAYMENTS

The conditional-payments provisions of title III of the Sugar Act of 1937, as amended, were applicable to the 1947 crops of sugarcane and sugar beets. The payments to producers were conditioned on the meeting of certain standards with respect to child labor and wage rates, the performance of certain soil-conserving practices, and, in the case of producer-processors, on the payment of fair and reasonable prices for sugar beets and sugarcane as determined by the Secretary. The conditional-payment provisions of the Sugar Act of 1937, as amended, were continued in the Sugar Act of 1948 with only one major change—the requirement of the soil-conserving practices as a condition for payment was omitted.

The base rate of payment under the act is 80 cents per 100 pounds of commercially recoverable sugar, raw value. This rate is scaled down on the basis of the quantity of sugar producer from the farm and it declines to a minimum of 30 cents per 100 pounds of sugar on that part of the total production in excess of 30,000 short tons of sugar.

In addition to the payment for sugar produced, the act also provides for partial crop-loss payments. In cases of bona fide abandonment of planted acreage and crop deficiencies of harvested acreage, these payments give some protection against crop losses resulting from drought, flood, storm, freeze, disease, or insects.

As the war emergency programs have decreased, more attention has been given to the administration of the programs under the Sugar Act. The relationships with the field organizations have been strengthened, and procedures and instructions are being reviewed and revised to meet current operating problems. In this connection, representatives of the Washington office are making more personal contacts with State and county committees.

The estimated total payments to be made, the part of those payments with respect to acreage abandonment and crop deficiency, and the number of payees for the 1946 and 1947 crop years, by various domestic areas, are shown in table 9.

Payments to growers in the sugar-beet area and to sugarcane growers in Hawaii for the 1947 crops were considerably in excess of the payments for the 1946 crops. A larger crop of sugar beets in 1947

was primarily the result of a favorable price and of a record yield per acre. In Hawaii there was a partial return to prewar production. The crop in the continental cane area was reduced by drought and a hurricane.

TABLE 9.—*Payments under the Sugar Act of 1937 and number of payees, in different sugar-producing areas, crop years 1946 and 1947* [1]

Payments and payees	Continental sugar beet area	Continental sugarcane area	Hawaii	Puerto Rico	Virgin Islands
Total payments:	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
1946	28, 200, 000	6, 700, 000	6, 575, 000	15, 200, 000	67, 000
1947	32, 800, 000	6, 325, 000	8, 110, 000	15, 100, 000	43, 600
Abandonment and deficiency payments:					
1946	1, 258, 000	347, 000	----------	592, 000	--------
1947	1, 450, 000	400, 000	----------	800, 000	--------
Payees:	*Number*	*Number*	*Number*	*Number*	*Number*
1946	62, 000	10, 500	1, 500	14, 400	550
1947	65, 000	10, 500	1, 400	13, 500	525

[1] Estimated.

The determinations issued by the Secretary in connection with the payment provisions of the act are reviewed frequently to determine whether changed conditions in the cultivation, harvesting, or processing of sugarcane and sugar beets require revision of such determinations to meet the objectives of the act. Several determinations have been recently revised to meet current conditions, and studies are in progress which indicate that revision of other determinations will be required.

A separate determination for establishing normal yields for sugarcane farms in Florida was issued on December 8, 1947. The base period of 1942, 1943, and 1944 was changed to the more current period of 1944, 1945, and 1946. Previously the same base period was used for establishing normal yields in both Louisiana and Florida. The determination of normal yields for sugarcane farms in the Virgin Islands was also revised on February 3, 1948, changing the base period of 1935, 1936, and 1939 to 1945, 1946, and 1947. This latter period is more representative of current yields of commercially recoverable sugar per acre.

The normal yield determination for sugarcane farms in Puerto Rico was revised on March 17, 1948. This also was necessary to reflect more current yields of commercially recoverable sugar per acre in that area. The former base period of 1938–39, 1939–40, and 1940–41 was changed to 1941–42, 1944–45, and 1946–47. Some of the recent crop years were excluded because those crops were adversely affected by drought.

(The following research was carried on under authority of the Research and Marketing Act:)

Analysis of data gathered relative to the competitive relationship between corn sugar and sirup and cane and beet sugars and sirups indicates that in the production of most products the use of corn sweeteners in relation to sugar usage has decreased since the end of sugar rationing. In many types of products, however, users are finding it advantageous both from a quality standpoint and pricewise to use either or both corn sugar or corn sirup as a part of their total sweetening agent.

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SUGAR PROGRAMS OF 1949

PMA's sugar programs are authorized by the Sugar Act of 1948, the CCC Charter Act, and the Research and Marketing Act of 1946. The Sugar Act programs are aimed at providing domestic consumers with adequate supplies of sugar at reasonable prices and at assuring domestic producers of sugar beets and sugarcane fair returns for their crops. Under this program, sugar-consumption requirements of the United States are determined and quotas are administered to regulate imports of sugar produced in foreign areas and marketings of sugar produced in domestic areas. Payments also are made to domestic producers of sugar beets and sugarcane, provided they comply with certain labor, wage, price, and marketing requirements prescribed by law.

Present CCC activities with respect to sugar relate to the procurement of sugar for the Department of the Army for civilian feeding in the occupied areas, as well as for use by certain nations participating in the ECA program. In addition, marketing research, authorized under the Research and Marketing Act of 1946, has been undertaken with respect to sugar and related products.

Quotas and Allotments

At the end of each calendar year the United States Department of Agriculture determines sugar-consumption requirements of the continental United States for the next year, the determination being subject to change during the year. Consumption requirements in any fiscal year involve two calendar-year determinations.

Requirements during the fiscal year 1949 were unusually stable. From July 26, 1948, through the rest of the calendar year 1948, the consumption-requirements determination was set at an annual rate of 7,200,000 short tons, raw value, and during the entire first half of 1949 it was set at the annual rate of 7,250,000 short tons, raw value. Prices were stable, too; the extreme range in the monthly average duty-paid raw-sugar price was only 0.23 cent per pound.

Marketings of several supplying areas were substantially less than their quotas. These deficits were prorated promptly as they became known. Basic and final adjusted quotas for the calendar year 1948 and for the first 6 months of 1949, which reflect the proration of deficits, are shown in tables 8 and 9.

TABLE 8.—*Basic and adjusted sugar quotas, by production areas, calendar year 1948*

Production area	Basic quotas	Adjusted quotas
	Short tons, raw value	*Short tons, raw value*
Domestic beet area	1, 800, 000	1, 687, 738
Mainland cane area	500, 000	413, 260
Hawaii	1, 052, 000	825, 000
Puerto Rico	910, 000	1, 023, 756
Virgin Islands	6, 000	6, 159
Philippines	982, 000	240, 000
Cuba	1, 923, 480	2, 940, 467
Other foreign countries	26, 520	63, 620
Total	7, 200, 000	7, 200, 000

In addition to the quotas shown in table 8, the Sugar Act establishes liquid sugar quotas for Cuba and the Dominican Republic. A total of 4,126,903 wine-gallons of 72 percent sugar content was charged against the quota for Cuba of 7,970,558 gallons. No charges were made against the quota for the Dominican Republic of 830,894 gallons.

TABLE 9.—*Basic and adjusted sugar quotas, by production areas, January–June 1949*

Production area	Basic quotas	Adjusted quotas
	Short tons, raw value	*Short tons, raw value*
Domestic beet area	1, 800, 000	1, 600, 000
Mainland cane area	500, 000	500, 000
Hawaii	1, 052, 000	1, 052, 000
Puerto Rico	910, 000	970, 635
Virgin Islands	6, 000	6, 000
Philippines	982, 000	557, 000
Cuba	1, 972, 800	2, 515, 915
Other foreign countries	27, 200	48, 450
Total	7, 250, 000	7, 250, 000

Wage and Price Determinations

In accordance with title III of the Sugar Act of 1948, minimum wage rates were established for agricultural workers in each of the 5 domestic sugar-producing areas—approximately 80,000 workers in the sugar-beet area, 50,000 in the Louisiana sugarcane area, 5,000 in Florida, 12,100 in Hawaii, 115,000 in Puerto Rico, and 1,000 in the Virgin Islands.

Although the basic rates established conformed generally to those in effect during the previous fiscal year, some modifications were made in the application of the rates. In Louisiana the basic wage rates were geared to the average price of raw sugar by the use of a modified wage-escalator scale. The scale was so constructed that the basic rates

remained in effect when the price of raw sugar for the 2-week period immediately preceding the wage period ranged between $5.60 and $6.25 per hundred pounds. For each full 10 cents that the price averaged above $6.25 or below $5.60, the time rates increased or decreased, respectively, 5 cents per day for work in the production and cultivation of sugarcane and 6.5 cents per day for work in the harvesting of sugarcane. Piecework rates increased or decreased in varying amounts when changes occurred in the average price of raw sugar.

For the California sugar-beet area, specific piecework rates were eliminated and an hourly guarantee of earnings instituted to provide greater flexibility in the wage-rate structure because of wide variations in field and soil conditions as well as methods of production. This provision was later eliminated with respect to "summer" work operations and specific piecework rates were reinstated because the original determination proved to be impracticable for that crop in certain localities. In the wage determination covering sugar beets for States other than California, harvesting piecework rates were adjusted to conform more closely to worker output and were specified on the basis of 1-ton yield intervals rather than 2-ton yield intervals as in the previous determination.

For Hawaii, it was again determined that the Sugar Act did not require wages higher than those provided for in the collective-bargaining agreement between a committee representing the International Longshoremen's and Warehousemen's Union sugar locals and units and a committee representing the sugarcane-producing companies, which established a minimum rate of 78½ cents per hour (except for two plantations where it is 73½ cents per hour). Under the conditional payment provision of the Sugar Act, producers must pay their employees the higher of the rates determined to be fair and reasonable or the rates agreed upon to meet the "in full" requirements. The wage determinations for Florida, Puerto Rico, and the Virgin Islands were unchanged from the previous year.

As in the past, determinations provided that producers in all areas, except in Hawaii, furnish to workers without charge the perquisites customarily furnished by them, such as a habitable house, medical attention, and a garden plot. In Hawaii, the furnishing of perquisites by producers was discontinued on plantations that signed the collective-bargaining agreement and wage rates were increased to compensate for the cost of perquisites.

Fair and reasonable price determinations were issued for all domestic sugarcane-producing areas with respect to the 1948 crop. The prices that producers, who are also processors of sugarcane, were required to pay for cane purchased from other producers remained about the same as in the previous year. In Louisiana the definition of standard cane was revised to provide for deductions for trash in excess of 3 percent. This formalized the administrative authorization in effect since 1943. In addition, the pricing period for calculating the molasses bonus was extended from January 31, 1949, to March 31, 1949. In Florida, the freight differential was increased from 0.17 cent per pound plus transportation tax to 0.23 cent per pound plus transportation tax, to give effect to changes in freight rates. In this area, too, the definition of standard sugarcane was revised to provide for the determination of the quality of the juice in sugarcane on the basis of normal juice rather than crusher juice, to establish a fixed par for sugarcane

at 11 percent sucrose in normal juice, and to provide for premiums and discounts on the basis of normal juice.

In Puerto Rico, provision was made for an optional method of cash settlement in the event it became necessary for a processor-producer to carry into the calendar year 1950 an inventory of sugar that could not be marketed in 1949 because of the "quota" provisions of the Sugar Act. This optional method of settlement permitted processor-producers to relate their price for sugarcane more closely to the sales prices of the sugar recovered from such sugarcane. It also permitted processor-producers to deduct additional selling and delivery expenses brought about by the necessity of carrying such sugar into the next calendar year in arriving at the settlement price for sugarcane. In the Virgin Islands and Hawaii no changes were made in the previous price determinations.

The study of costs, returns, and related factors of the beet-sugar industry, initiated in February 1948, was completed and an administrative report was prepared for use in administering the wage and price provisions of the Sugar Act. A similar study of the Hawaiian sugarcane industry, begun in April 1949, is scheduled to be completed in the fall of 1949. It is expected that studies of other sugarcane-producing areas will start before the close of the calendar year 1949. Other studies of major importance initiated during the fiscal year were surveys of labor performance in thinning and harvesting sugar beets and a study of man-hour requirements in harvesting sugarcane in Louisiana. In collaboration with the sugar-beet industry, agricultural and manufacturing reports for that industry were revised and brought up to date.

Conditional Payments

Administrative procedures to accelerate sugar payments to producers in the mainland beet-sugar area, Puerto Rico, and the Virgin Islands were developed during the first half of the fiscal year. The changes resulted in payments being made to producers much earlier than in the past.

Proportionate shares for sugar-beet and sugarcane farms in the domestic-producing areas must be established for each crop, as marketing within such shares constitutes a condition for payment under the Sugar Act. Accordingly, a determination was issued on July 13, 1948, permitting unlimited marketings of sugar beets and sugarcane from the 1948 crops in the mainland beet- and cane-sugar areas, Hawaii, and the Virgin Islands. Similarly, the Secretary of Agriculture issued a determination on December 2, 1948, permitting unlimited marketings from the 1948–49 sugarcane crop in Puerto Rico.

Restrictive proportionate shares are required in any area when the production will exceed the quantities necessary to fill the quotas and provide a normal carry-over inventory for such areas. Sugar production in Puerto Rico has increased rapidly during the postwar period and it is expected that the 1948–49 crop will be the largest in Puerto Rican history. In view of this, the Secretary of Agriculture announced on June 22, 1949, that restrictions on marketings from the 1949–50 Puerto Rican crop would be necessary to avoid an excessive carry-over of sugar into 1951, and prescribed the formula that will govern the establishment of proportionate shares with respect to the 1949–50 crop. The extent of the restriction on total production will

be announced later in 1949. The three crops, 1946–47, 1947–48, and 1948–49, were selected as the base period. The formula measures "past production" by the average production in the base period and "ability to produce" by the highest production from any one of the crops in such period and equal weight is given to each standard. A longer base period was not used, primarily because of handicaps to production resulting from wartime conditions and the effects of drought on several crops.

In October 1948, the determinations of sugar commercially recoverable in the mainland beet- and cane-sugar areas were revised to reflect more current rates of recovery. These determinations provide the bases for computing payments on the quantity of beets or sugarcane marketed from each farm. Because of lower rates of extraction obtained from recent sugar-beet crops, the revised determination reduced the rates of recoverability slightly more than 1 percent as an average. The average reduction in payments was about 3 cents per ton of beets.

The revised determination of sugar commercially recoverable in the mainland cane-sugar area lowered the recovery rates at the various sucrose levels. The revised rates are based on the average actual sugar recovery for the 1942–46 period. Previously, sugar recovery in Florida was based on the sucrose in the crusher juice of the sugarcane, whereas in Louisiana it was based on the sucrose in the normal juice. (In determining the sucrose content of cane, the crusher juice and normal juice methods are used.) It was found that the normal juice basis for calculating sugar commercially recoverable more nearly approximated the actual yield of sugar than recovery based on crusher juice.

The estimated total payments to be made, the part of those payments which relate to acreage abandonment and crop deficiency, and the number of payees for the 1947 and 1948 crop years, in the several sugar-producing areas, are shown in table 10.

Table 10.—*Payments under the Sugar Act of 1937, as amended, and number of payees, in the several sugar-producing areas, crop years 1947 and 1948* [1]

Payments and payees	Mainland beet-sugar area	Mainland cane-sugar area	Hawaii	Puerto Rico [2]	Virgin Islands
Payments on sugar beets or sugarcane:					
1947	$30,930,000	$5, 644, 000	$8, 109, 000	$14,560,000	$44, 000
1948	22, 600, 000	6, 800, 000	7, 629, 000	15, 000, 000	64, 000
Abandonment and deficiency payments:					
1947	1, 330, 000	660, 000	----------	500, 000	--------
1948	1, 400, 000	500, 000	----------	500, 000	--------
Total payments:					
1947	32, 260, 000	6, 304, 000	8, 109, 000	15, 060, 000	44, 000
1948	24, 000, 000	7, 300, 000	7, 629, 000	15, 500, 000	64, 000
Payees:	*Number*	*Number*	*Number*	*Number*	*Number*
1947	60, 000	9, 600	1, 400	13, 400	500
1948	55, 000	10, 000	1, 100	14, 000	500

[1] Preliminary. [2] 1946–47 and 1947–48 crops.

Foreign Purchase Program

The CCC purchased approximately 225,000 short tons of 1948-crop Cuban raw sugar and 443,000 short tons of 1949-crop Cuban raw sugar during the fiscal year—the sugar being turned over on a reimbursable basis to the Department of the Army and the Economic Cooperation Administration for use in foreign-relief programs. The purchase prices were: 1948-crop Cuban, 4 cents per pound f. a. s., Cuban ports, basis 96° polarization; and 1949–crop Cuban, 4 cents per pound, f. a. s., Cuban ports, basis 96° polarization for the first 159,000 short tons, and for the remainder of the 1949-crop Cuban sugar, a price determined by applying the simple unweighted average of the daily spot quotations on the New York Coffee and Sugar Exchange for 96° raws, f. a. s., Cuba, for each of the months of July, August, September, and October, respectively, to approximately 71,000 tons of such sugar, with a 4-cents-per-pound maximum price. The price at which the CCC purchased 1948-crop Cuban raw sugar was considerably below the average monthly prices of raw sugar on the world market for the months of delivery.

A total of 761,971 short tons, raw value, of sugar was shipped during the fiscal year. Shipments by the Department of the Army were as follows: To Germany, 390,281 tons; to Japan, 211,395 tons; and to Korea, 31,892 tons. Shipments by ECA were as follows: To Austria, 96,219 tons; to French-Zone Germany, 21,284 tons; and to Bi-Zone Germany, 10,900 tons.

These shipments represented the balances of 1948-fiscal-year purchases of 1948-crop Cuban raw sugar, 16,790 tons of Javan direct-consumption sugar, all of the 225,000 short-ton purchase (including approximately 54,000 short tons of 1949-crop sugar substituted for 1948 sugar made available for the United States market early in 1949), and part of the 443,000 short-ton purchase of 1949-crop Cuban raw sugar.

Price Support

Under the 1947 sugar-beet price-support program, growers were guaranteed an average return of $14.50 per ton of beets (including payments under the Sugar Act of 1937, as amended)—$1 per ton higher than for the 1946 crop. Processors who paid their growers the required price were, in turn, guaranteed reimbursement by CCC to the extent that the average basis price for refined cane sugar for the 1947 marketing period was less than $8.20 per 100 pounds. The objective of this program was to obtain an increase in the acreage of sugar beets to meet the goal of 1,069,000 acres for 1947.

The last of the beet sugar from the 1947-crop sugar beets was sold by the end of June 1949. The total cost to CCC of the price-support payments for this program was approximately $16,505,000, of which approximately $4,644,000 was expended in the fiscal year 1949. On the basis of price-support payments with respect to the total 100-pound units of beet sugar reported sold, the average cane basis price was $7.73 per 100 pounds.

A sugar-beet price-support program was not instituted for the 1948-crop sugar beets because of the protection afforded producers under the Sugar Act of 1948.

Activities Under the Research and Marketing Act

Research was conducted to determine quantitatively the use of corn sugar and sirup and dry and liquid cane and beet sugar as sweetening agents by various industrial users and to ascertain factors governing the choice or use of sweetener. Data on prices of the different sweeteners had been gathered, and information on the relative physical and chemical properties of sucrose and corn sweeteners from Government and trade sources was being assembled at the end of the year. Field work for these surveys had been completed and analysis of the data gathered was well under way. Preliminary results indicate that the use of corn sweeteners in relation to over-all sugar usage increased substantially during the war and remained above prewar levels during 1948 and the first half of 1949.

At the end of the year, surveys of sugarcane marketing had been made in Puerto Rico and Louisiana and a report was being prepared for each of these areas, describing the practices used in marketing sugarcane and giving recommendations for improving marketing efficiency. Previous research of a related nature had been examined and appraised and pertinent secondary data assembled. In addition, original data had been obtained from sugarcane processors in Louisiana and Puerto Rico through personal interviews with representatives of a selected sample of mills in each area. Information on the problems of sugarcane marketing also was obtained from others familiar with sugarcane marketing in these areas.

Preliminary work had been done on the marketing of refined sugar and Puerto Rican and Louisiana raws and blackstrap. Prospects for improved marketing efficiencies of raws by means of bulk handling and the possibilities for increased efficiency in the marketing of blackstrap for feed purposes were being explored.

Information had been collected from producers and distributors of cane sirups, edible molasses, refiners' sirups, and liquid sugar relative to (1) present methods used by each company in establishing classifications of these products as to type; (2) influence of certain factors, such as differences in manufacturing processes, variations in raw materials, and variable market outlets, on the ranges in quality and variations in types of sirup, molasses, or liquid sugar produced; (3) feasibility of setting up a system of permissive standards for each group of these products; (4) recommendations as to the number of grades which should be established for each product under review, and suggestions as to the permitted range in composition of such factors as density, total sugars, ash, and total nonsugar solids content in each grade.

Full descriptions of the major types of liquid sugar and refiners' sirup on the market have been compiled. Producers of these products have been requested to specify the relative importance of each type and the principal classes of users for each type.

Samples of first centrifugal and boil-back molasses and of commercial and country-type cane sirups of the 1948 crop were collected and analyzed for chemical factors pertinent to the establishment of grades and standards for these products. Samples of the various types of liquid sugar and refiners' sirup were collected for similar analysis during the fiscal year 1950.

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UNITED STATES DEPARTMENT OF AGRICULTURE

Production and Marketing Administration

SUGAR PROGRAMS OF 1950

Sugar programs are authorized by the Sugar Act of 1948, the Commodity Credit Corporation Charter Act, and the Research and Marketing Act of 1946.

The Sugar Act program aims to provide domestic household and industrial consumers with adequate supplies of sugar at reasonable prices which will, at the same time, fairly and equitably maintain and protect the welfare of the domestic sugar industry.

The total sugar requirements of consumers for each year are estimated by the Secretary of Agriculture. Quotas based on this estimate regulate the entry of sugar into the continental United States from foreign areas and the marketing of sugar by domestic areas. Payments are made to domestic producers of sugarcane and sugar beets who do not market in excess of specified quantities, who meet certain standards with respect to child labor, who pay wages deemed to be fair under the standards established in the act, and (in the cases of processor-producers) who pay other producers for sugarcane and sugar beets, prices that are determined by the Secretary to be fair and reasonable.

Sugar is procured by the CCC for other Government agencies which request CCC to perform this service. Marketing research is conducted on sugar and related products.

Consumption Requirements, Prices, and Quotas

Sugar-consumption requirements of consumers in the continental United States are estimated for calendar years, not fiscal years. The consumption requirement in effect at the beginning of 1949 was 7,250,000 short tons, raw value. This was changed to 7,500,000 tons on September 20, 1949, and remained in effect for the rest of the calendar year. The requirement for 1950 was set at 7,500,000 short tons and was unchanged at the end of the fiscal year.

The price of raw sugar, duty paid, was 5.85 cents per pound at the beginning of the fiscal year 1950. It reached its highest level of 6.05 cents during part of September and October 1949, and then declined to 5.45 cents in early April. By the end of the fiscal year it had recovered to the 5.85-cent level.

Refined cane sugar (New York basis price) was 0.15 of a cent per pound lower at the end than at the start of the fiscal year. The price of 7.85 cents prevailed from the beginning of the fiscal year until September 26,-1949, when it rose to 8.05 cents, remaining at that level until February 5, 1950. Thereafter, price changes occurred as follows:

February 6, 7.90; March 1, 7.80; and March 13, 7.70. On June 23 price advances to 7.85 and 7.90 were announced by various sellers, to become effective shortly after the start of the new fiscal year.

Statutory quotas are established by the Sugar Act for the five domestic sugar-producing areas—mainland cane, domestic beet, Hawaii, Puerto Rico, and the Virgin Islands—and for the Republic of the Philippines. The difference between the sum of these quotas and the amount of the consumption estimate is divided between Cuba and foreign countries (other than Cuba and the Republic of the Philippines) on a 98.64 percent and 1.36 percent basis, respectively. In addition, when one area cannot fill its quota, the unfilled portion (commonly known as a "deficit") is prorated to other areas which can supply the sugar.

During the last 6 months of 1949 quota deficits were declared for Hawaii of 200,000 tons and for the domestic beet area of 100,000 tons. The unfilled portion of the quota for foreign countries other than Cuba and the Republic of the Philippines was reallocated shortly after September 1, 1949, to those countries in this group which were able to supply the sugar. A deficit of 300,000 tons for the Republic of the Philippines was declared in the initial 1950-quota determination and a further deficit for this area of 150,000 tons was announced on June 14, 1950.

Basic and final adjusted quotas for the calendar year 1949 and those in effect at the end of the fiscal year 1950, which reflect the prorations of deficits, are shown in table 6.

The sugar quotas for Puerto Rico for both 1949 and 1950 were allotted to individual raw-sugar processors and refineries. In August 1949, preliminary allotments were revised to incorporate final instead of estimated production data in the allotment formula and to remove the limitation on marketings at 80 percent of allotments. Subsequent revisions were made in 1949 to distribute increases in the Puerto Rican

TABLE 6.—*Basic and adjusted sugar quotas, by production areas, calendar year 1949, and as of June 30, 1950*

Production area	Basic quotas, calendar year 1949 and as of June 30, 1950	Adjusted quotas	
		Calendar year 1949	As of June 30, 1950
	Short tons, raw value	*Short tons, raw value*	*Short tons, raw value*
Domestic beet-sugar area	1, 800, 000	1, 500, 000	1, 800, 000
Mainland cane-sugar area	500, 000	548, 773	500, 000
Hawaii	1, 052, 000	652, 000	1, 052, 000
Puerto Rico	910, 000	1, 091, 401	910, 000
Virgin Islands	6, 000	6, 000	6, 000
Republic of the Philippines	982, 000	557, 000	532, 000
Cuba	2, 219, 400	3, 092, 976	2, 646, 900
Other foreign countries	30, 600	51, 850	53, 100
Total	7, 500, 000	7, 500, 000	7, 500, 000

quota arising from deficits declared for the domestic beet and Hawaiian areas. In January 1950, hearings were held in Puerto Rico regarding allotment of (1) its mainland quota, (2) the direct-consumption portion of its mainland quota, and (3) the quota for local consumption in Puerto Rico. Subsequently, preliminary allotments were made which remained in effect until the close of the fiscal year.

Wage and Price Determinations

Determinations of fair and reasonable wages for persons employed in the production, cultivation, and harvesting of sugar beets and sugarcane were issued for each of the five domestic sugar-producing areas. Wages for all areas—except Puerto Rico and Hawaii—were maintained at levels established in 1947, despite reductions since that time in the income of producers caused by lower sugar and molasses prices. The maintenance of the 1947-wage levels in three of the areas was made possible by lower costs of producers resulting from the use of mechanical equipment and changes in methods of production. In Puerto Rico, wages are tied to the prices of raw sugar and, as a result, wages increased or decreased with changes in sugar prices. In Hawaii, the collective bargaining agreements between producers and workers were reopened and the basic minimum wage of 78½ cents per hour for most plantations was revised upward to 80 cents per hour. A wage-price escalator under which wages increase when the average price of raw sugar exceeds $116 per ton for a 3-month payroll period, was also adopted. If average raw sugar prices are lower than $116 per ton, the basic minimum wage remains at the 80 cents per hour "floor."

In Puerto Rico, the Virgin Islands, and Florida no changes which would affect the application of wage rates were made in the determinations. In Louisiana, the relationship between the base sugar price and wage rates was adjusted to make wages more responsive to significant changes in sugar prices and producer income.

In the beet-sugar area two wage determinations were issued, one for California, southwestern Arizona, and southern Oregon, and the other for the remainder of the beet-sugar area. In the former, the 1950-crop determination continued the time rates of 60 cents per hour for production and cultivation work and 65 cents for harvesting work. Specific piecework rates were eliminated in the 1950 determination and those agreed upon between the producer and laborer were prescribed. Such rates, however, were subject to a guarantee of earnings to workers of not less than the hourly rates. This method of establishing piecework rates provided greater flexibility in the setting of such rates under the varying field conditions which are typical of these regions.

For beet-sugar regions other than California, southwestern Arizona, and southern Oregon, time rates were continued as in 1949 but the supplemental wage payments were eliminated. However, the amount of the supplemental payment for harvesting of $2 per acre was divided between hoeing and weeding rates except in the eastern area where it was applied to the thinning and hoeing rates. This redistribution was made because the need for the supplemental wage payment had diminished and to encourage better quality work in "summer" work operations. Minor adjustments also were made in the harvesting

piecework rates. The adjustments were made to reflect worker performance more accurately.

Wage-claim procedure, although effective in prior years, was made more generally known to both producers and laborers by including in the determinations a provision setting forth the procedure to be followed by workers in filing wage claims.

Determinations of fair and reasonable prices were also issued for each of the five domestic sugar-producing areas. These determinations apply only to those producers who are also processors and who buy sugar beets or sugarcane from other producers. The determinations for all areas provided for about the same sharing relationships between processors and producers for average-quality sugarcane and sugar beets as in the previous year, although the determinations for Florida and Louisiana contained significant changes in the methods of determining fair prices. Changes in the Florida determination were made to provide for the sharing of total returns more in line with the current production and manufacturing conditions, while those in the Louisiana determination were made to provide an incentive to growers to deliver clean, fresh sugarcane.

The study of costs, returns, and related factors of the Hawaiian sugar industry, initiated in April 1949, was completed. Field work on similar studies for Puerto Rico, the Virgin Islands, Florida, and Louisiana was completed during the fiscal year. The basic data of these studies and an earlier one of the sugar-beet area were applied to data on current crops for use in administering the wage and price provisions of the Sugar Act. Other studies of importance initiated during the fiscal year were surveys of labor performance in thinning and harvesting of sugar beets, a study of man-hour requirements in the harvesting of sugarcane in Louisiana, a study of the quality of worker performance in the thinning of sugar beets, and a survey of the factors pertinent to the fair-price determination in Puerto Rico.

Payments to Producers

Under Title III of the Sugar Act of 1948, payments were made to almost 85,000 sugar-beet and sugarcane producers in the mainland beet- and cane-sugar areas, Hawaii, Puerto Rico, and the Virgin Islands, who qualified by meeting certain standards with respect to child labor, wage rates, proportionate shares established for the farms, and in the case of processor-producers, payment of fair and reasonable prices for sugar beets or sugarcane purchased from other producers. In addition, payments were made to sugar-beet and sugarcane producers to compensate them in part for crop losses resulting from specified causes.

The base rate of payment to producers is 80 cents per 100 pounds of sugar commercially recoverable, raw value. This rate is scaled down for farms which produce in excess of 350 tons of sugar and declines to a minimum of 30 cents per 100 pounds on that part of the farm's total production in excess of 30,000 short tons of sugar.

Restrictive proportionate shares must be established for farms in any area when sugar production and current supplies would be more than the quantity required to meet the area's quota and carry-over requirements. In view of the large 1948–49 Puerto Rican crop,

restrictions on marketings from the 1949–50 crop in this area appeared to be necessary to avoid an excessive carry-over of sugar at the end of 1950, and proposed restrictions were announced. However, on February 21, 1950, the restrictions were lifted because of changes in the world sugar-supply outlook and the necessity of meeting the sugar requirements of the Economic Cooperation Administration. In early 1950 it again appeared that production from the 1950–51 crop would have to be curtailed. At the close of the fiscal year it was not possible to determine whether the conflict in Korea which started in the last days of June, would affect 1950–51 production significantly.

The definition of a farm in Puerto Rico was revised on March 22, 1950. The definition is significant since proportionate shares are established on the basis of farms, and conditional payments, including abandonment and deficiency payments, are calculated on that basis. The revision affects only the farms operated by the Land Authority of Puerto Rico. It provides that any proportional-profit farm established by the Land Authority, in conformity with certain standards, will be considered a farm for the purposes of the Sugar Act, in lieu of the smaller administrative units which were formerly classified as farms.

A revised method for determining normal yields of sugar and eligibility for acreage-abandonment and crop-deficiency payments under the Sugar Act for sugarcane farms in Louisiana and Florida was adopted on September 30, 1949. The principal change provides for the use of three recent crops in establishing normal yields for the 1949 crop and a gradual transition to moving 5-year base periods.

Conditional payments to producers are computed on the quantity of sugar commercially recoverable from the sugar beets or sugarcane marketed from each farm. In October 1949, the methods of determining sugar commercially recoverable in the mainland beet- and cane-sugar areas were revised to reflect more current rates of recovery. The average reduction in payments was about 2 cents per ton of beets and about 0.8 cent and 1.5 cents per ton of cane in Louisiana and Florida, respectively. A significant simplification in procedure was embodied in a revised determination of normal yields for farms in the beet-sugar area, issued on March 10, 1950. This change will reduce substantially the work required in State and county offices.

The estimated total payments to be made in the various domestic sugar-producing areas, the part of these payments which relates to acreage abandonment and crop deficiencies, and the number of payees for the 1948 and 1949 crop years are shown in table 7.

Purchases for the Army and ECA

Approximately 220,000 short tons of 1949–50 crop raw sugar was purchased by CCC from 27 Puerto Rican producers in February 1950 at the world price of 4.60 cents per pound, basis 96° polarization, f. a. s. Puerto Rican ports. No other purchases were made during the fiscal year. This sugar was purchased on behalf of the Economic Cooperation Administration to meet a part of the civilian sugar requirements in Germany and Austria.

During the fiscal year a total of approximately 573,000 short tons of raw sugar, consisting of 365,000 short tons of 1949-crop Cuban raw sugar, purchased during the previous fiscal year, and 208,000

TABLE 7.—*Payments under the Sugar Act of 1948 and number of payees, in the several sugar-producing areas, crop years 1948 and 1949* [1]

Payment and payee	Domestic beet-sugar area	Mainland cane-sugar area	Hawaii	Puerto Rico [2]	Virgin Islands
	Dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*
Payments on sugar beets or sugarcane:					
1948	21, 817, 000	6, 958, 000	7, 629, 000	15, 268, 000	66, 000
1949	26, 400, 000	6, 650, 000	8, 438, 000	17, 680, 000	66, 000
Abandonment and deficiency payments:					
1948	1, 411, 000	300, 000		232, 000	
1949	650, 000	500, 000			
Total payments:					
1948	23, 228, 000	7, 258, 000	7, 629, 000	15, 500, 000	66, 000
1949	27, 050, 000	7, 150, 000	8, 438, 000	17, 680, 000	66, 000
	Number	*Number*	*Number*	*Number*	*Number*
Payees:					
1948	46, 000	10, 200	1, 100	14, 000	500
1949	55, 000	10, 500	1, 300	15, 300	500

[1] Preliminary.
[2] 1947–48 and 1948–49 crops.

short tons of the 1949–50 Puerto Rican sugar, was shipped by the Department of the Army to Germany and by the ECA to Austria and Germany. The Army shipped about 187,000 short tons to Germany while ECA shipped approximately 54,000 tons to Austria and 332,000 tons to Germany. Only a small balance of the 1949–50 Puerto Rican sugar was unshipped at the end of the year.

At the close of the fiscal year, the Department of the Army was obtaining from Pacific areas of supply most of the sugar needed for civilian feeding in occupied areas, and countries participating in the European Recovery Program were purchasing their sugar requirements through commercial channels.

Marketing Research

Competitive relationships between sugar and corn sweeteners are to be described in a research report being prepared for publication at the end of the year. A major part of the report will consist of analyses of information collected from bakers, confectioners, canners, preservers, and manufacturers of soft drinks, ice cream, and frozen foods relative to the types of sweeteners used by them and the major factors influencing types and amounts of sweeteners used. Factors such as price differentials, physical and chemical properties of the various sweeteners, and Federal and State laws pertaining to the use of these sweeteners in processed foods have been analyzed and will be included in the report. Data to be published will include statistics on usage of sugar, dextrose, and corn sirup by major types of industrial users and delivered prices of the different sweeteners over a long period of time. A system of voluntary reporting of quantities of sugar and dextrose which are currently being used by the various industries has been instituted in connection with this research. Information supplied quarterly since January 1, 1949, by primary distributors of these products cover 100 percent of the dextrose and approximately 97 percent of total sugar distribution within the continental United States.

The factors on which proposed USDA quality standards are to be based have been determined from information and recommendations of producers of liquid sugar, refiners' sirups, edible sugarcane molasses, and sugarcane sirups and from the results of analyses of representative samples of the products named. These factors are (1) Brix solids, (2) sucrose, (3) reducing sugar, (4) sulfated ash, (5) sulfites, (6) pH, and (7) color. All necessary laboratory work has been completed except for the work on color of liquid sugars where more exact methods and requirements are needed for color standards. The results of this work will make possible the formulation of Federal inspection and grading systems for all of these products. Reports of the analytical results of this work are being prepared for submission to technical journals for publication.

A report entitled "Marketing of Sugarcane in Louisiana" has been published as a part of a project on marketing practices in the domestic sugarcane areas. This report describes current marketing practices in Louisiana, summarizes the most important economic factors affecting the marketing of sugarcane there, and points out certain undesirable marketing procedures that exist. Recommendations were made that

certain changes be made in the Louisiana cane-purchase contract in order to stimulate more efficient marketing of Louisiana sugarcane. The field work on the Puerto Rican phase of this project has been completed, and the results are being tabulated and analyzed.

Widespread interest has been shown by the molasses, feed, and alcohol industries in the material included in the report entitled, "The Marketing of Feed Molasses," published in connection with the study on the marketing of industrial molasses. Since publication of this report additional information has been collected concerning the movement of industrial molasses to consumers through various sources of supply, the costs incurred by various distributive groups in marketing molasses, the physical methods of handling molasses, and market supplies of molasses for all industrial utilization.

Studies of the marketing of sugar beets and raw and refined sugar have been initiated. These include analysis of the methods and practices used in marketing sugar beets and the natural, economic, and institutional factors affecting marketing. A comprehensive analysis of the marketing practices and costs in the movement of raw sugar from mill to refiner, the importation of raw sugars, the functions of the marketing agencies concerned, the sales practices of raw-sugar processors, and the buying practices of refiners has been begun. Analysis is being made of the methods and practices in the distribution and pricing of refined sugar, including special attention to the marketing of this product in liquid or bulk granulated form.

(The research projects described in this section were carried on under authority of the Research and Marketing Act of 1946.)

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